STATE OF MINNESOTA

Office of the State Auditor

Rebecca Otto
State Auditor

COOK COUNTY
GRAND MARAIS, MINNESOTA

YEAR ENDED DECEMBER 31, 2016

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 650 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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COOK COUNTY
GRAND MARAIS, MINNESOTA

Year Ended December 31, 2016

Audit Practice Division
Office of the State Auditor
State of Minnesota

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COOK COUNTY
GRAND MARAIS, MINNESOTA

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Introductory Section

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COOK COUNTY
GRAND MARAIS, MINNESOTA

ORGANIZATION
AS OF DECEMBER 31, 2016

		Term Expires
Elected		
Commissioners		
District 1	Frank Moe	January 2019
District 2	Garry Gamble	January 2017
District 3	Jan Sivertson	January 2019
District 4	Heidi Doo-Kirk*	January 2017
District 5	Virginia Storlie	January 2019
Officers		
Elected		
Attorney	Molly Hicken	January 2019
Auditor/Treasurer	Braidy Powers	January 2019
Recorder/Registrar of Titles	Dusty Nelms	January 2019
Sheriff	Pat Eliasen	January 2019
Court Judge	Mike Cuzzo	January 2017
Appointed		
Assessor	Todd Smith	January 2020
Court Administrator	Amy Turnquist	Indefinite
Highway Engineer	David Betts	May 2017
Veteran Services Officer	Pat Strand	Indefinite
Land Commissioner	Lisa Kerr	Indefinite
Human Services Board		
Chair	Carla LaPointe	January 2018
Vice Chair	Jerry Lilja	January 2018
Member	Virginia Storlie	January 2019
Member	Garry Gamble	January 2017
Member	Frank Moe	January 2019
Member	Heidi Doo-Kirk	January 2017
Member	Jan Sivertson	January 2019
Director	Joshua Beck	Indefinite

*Chair

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

REBECCA OTTO
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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Cook County
Grand Marais, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Cook County, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Cook County as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cook County's basic financial statements. The supplementary information, and the other information section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Tax Capacity, Tax Rates, Levies, and Percentage of Collections schedule, included in the report as other information, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2017, on our consideration of Cook County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cook County's internal control over financial reporting and compliance.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

August 22, 2017

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MANAGEMENT’S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016
(Unaudited)

This Management's Discussion and Analysis (MD&A) provides an overview of Cook County's financial activities for the fiscal year ended December 31, 2016. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the accompanying financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is $74,364,939, of which $61,726,738 is the net investment in capital assets, and $5,518,713 is restricted to specific purposes; $7,119,488 remains as unrestricted net position available to help ensure fiscal strength in the face of uncertainty in the continuing level of support by state and federal governments.

- The Cook County and Grand Marais Joint Economic Development Authority (EDA) is shown as a "Discretely Presented Component Unit." The EDA has a total net position of $5,041,765, of which $5,142,327 is the net investment in capital assets. The majority of these amounts are for Superior National Golf Course in Lutsen and the Cedar Grove Business Park in Grand Marais.

- Cook County's net position increased by $3,040,313 for the year ended December 31, 2016. This was due to an increase in program revenues. Total net position of the County's discretely presented component unit (EDA) increased $160,936, due primarily to a capital contribution to the golf course construction.

- The net cost of governmental activities was $7,172,646 for the current fiscal year. Net cost is the amount by which the cost of services had to be paid by taxes or other unrestricted funds. General revenues of $10,212,959 exceeded expenses, resulting in the $3,040,313 increase in net position referenced above.

- Governmental funds' fund balances increased slightly from the prior year: $16,216,544 to $16,356,813. The change was due primarily to the payment of about $2 million in federal payments in lieu of taxes that had been excluded from 2015 fund balance due to its late receipt.

- Net pension liability increased from $4,789,109 to $9,515,201 in 2016, primarily due to changes in actuarial assumptions and investment earnings.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the County's basic financial statements. The basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section) and certain budgetary comparison schedules are required to accompany the basic financial statements and, therefore, are included as required supplementary information.

There are two government-wide financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements--The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net position and changes in them. You can think of the County's net position--the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources--as one way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the County's property tax base and the condition of County roads, to assess the overall health of the County.

In the Statement of Net Position and the Statement of Activities, we divide the County into two kinds of activities:

- **Governmental activities**--Most of the County's basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities.

- **Component unit**--This is the Cook County and Grand Marais Joint Economic Development Authority (EDA), whose major activities are to oversee operation and management of Superior National Golf Course in Lutsen, to develop the Cedar Grove Business Park, and to manage a housing rehabilitation program. Although legally separate, this "component unit" is important because the County is financially accountable for it.

The government-wide financial statements can be found in Exhibits 1 and 2.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

- **Governmental funds**--Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation in a statement following each governmental fund financial statement.

  The basic financial statements for governmental funds can be found in Exhibits 3 through 6.

- **Fiduciary funds**--The County is the trustee, or fiduciary, over assets, which can be used only for the trust beneficiaries, based on the trust arrangement. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

  The financial statement for fiduciary funds can be found as Exhibit 7.

The County as a Whole

Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the County's governmental and component unit activities.

Table 1
Net Position

	Governmental Activities		Component Unit Activities	
	2016	2015	2016	2015
Assets				
Current and other assets	$ 23,418,707	$ 23,012,274	$ 1,084,780	$ 1,637,538
Capital assets	79,266,738	76,328,140	7,432,711	6,016,166
Total Assets	$ 102,685,445	$ 99,340,414	$ 8,517,491	$ 7,653,704
Deferred Pension Outflows	$ 5,113,396	$ 771,473	$ 97,671	$ 21,278
Liabilities				
Long-term debt outstanding	$ 29,414,832	$ 26,529,572	$ 2,543,834	$ 1,185,585
Other liabilities	2,883,368	1,617,784	995,926	1,590,161
Total Liabilities	$ 32,298,200	$ 28,147,356	$ 3,539,760	$ 2,775,746
Deferred Pension Inflows	$ 1,135,702	$ 639,905	$ 33,637	$ 18,408
Net Position				
Net investment in capital assets	$ 61,726,738	$ 57,607,490	$ 5,108,701	$ 4,986,057
Restricted	6,893,105	7,450,100	-	-
Unrestricted	5,745,096	6,267,036	(66,936)	(105,229)
Total Net Position	$ 74,364,939	$ 71,324,626	$ 5,041,765	$ 4,880,828

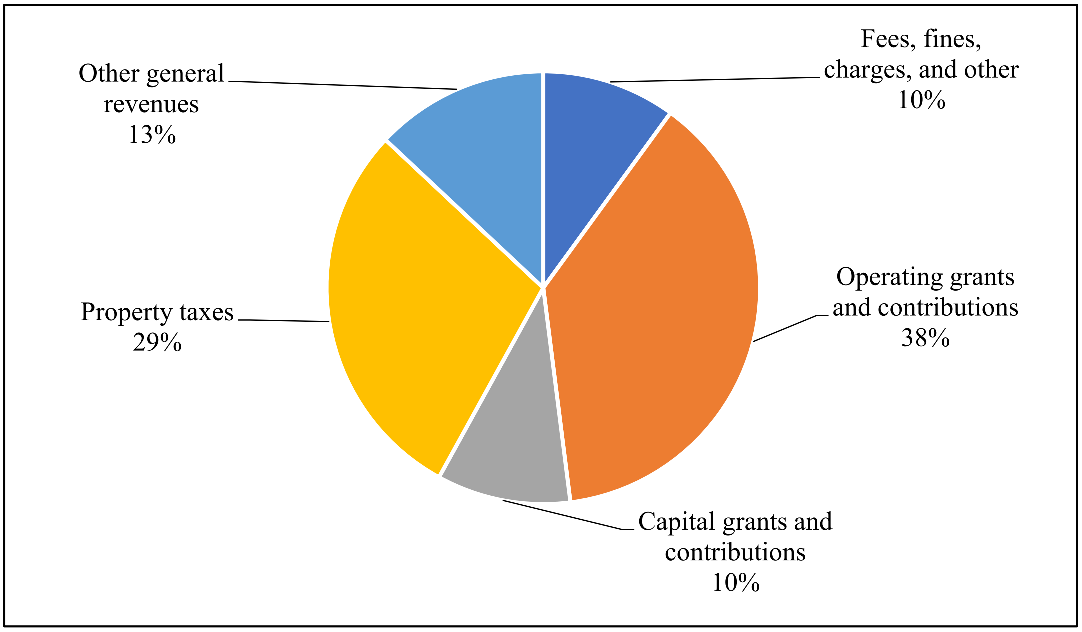
For details, please see the Statement of Net Position, Exhibit 1.

Table 2
Changes in Net Position

	Governmental Activities		Component Unit Activities	
	2016	2015	2016	2015
Revenues				
Program revenues				
Fees, fines, charges, and other	$ 2,296,870	$ 1,907,036	$ 640,794	$ 686,601
Operating grants and contributions	9,209,044	8,441,904	46,657	72,251
Capital grants and contributions	2,365,225	3,107,783	300,000	
General revenues				
Property taxes	7,012,423	6,684,280	221,460	163,486
Other taxes	2,205,411	2,247,641	-	-
Unrestricted grants and contributions	562,312	460,722	-	-
Investment earnings	231,079	402,215	382	249
Sale of business lots	-	-	23,458	-
Gain on disposal of assets	1,206	-	7,917	12,000
Miscellaneous	200,528	122,626	56,119	60,582
Total Revenues	$ 24,084,098	$ 23,374,207	$ 1,296,787	$ 995,169
Expenses				
General government	$ 4,010,279	$ 3,147,024	$ -	$ -
Public safety	3,965,649	3,368,296	-	-
Highways and streets	5,724,822	5,685,117	-	-
Sanitation	464,759	412,168	-	-
Human services	2,637,381	2,379,046	-	-
Health	355,587	407,531	-	-
Culture and recreation	1,099,889	804,676	-	-
Golf course	-	-	872,511	928,939
Conservation of natural resources	787,657	678,500	-	-
Economic development	1,378,709	4,128,763	263,339	204,276
Bond issuance and interest	619,053	586,449	-	-
Total Expenses	$ 21,043,785	$ 21,597,570	$ 1,135,850	$ 1,133,215
Increase (Decrease) in Net Position	$ 3,040,313	$ 1,776,637	$ 160,937	$ (138,046)
Net Position - January 1	$ 71,324,626	$ 74,083,147	$ 4,880,828	$ 5,503,734
Restatement	-	(4,535,158)	-	(484,860)
Net Position Beginning - Restated	$ 71,324,626	$ 69,547,989	$ 4,880,828	$ 5,018,874
Net Position - December 31	$ 74,364,939	$ 71,324,626	$ 5,041,765	$ 4,880,828

For details, please see the Statement of Activities, Exhibit 2.

Total County Revenues by Sources



Governmental Activities

The cost of all governmental activities this year was $21,043,785, a 2.6 percent decrease from 2015. As shown in the Statement of Activities (Exhibit 2), the amount taxpayers ultimately financed for these activities through County property taxes was $7,012,243, 4.9 percent more than 2015. Some of the cost was paid by those who directly benefited from the programs ($2,296,870) or by other governments and organizations that subsidized certain programs with grants and contributions ($11,574,269).

Table 3 presents the cost of each of the County's largest program functions as well as each function's net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
General government	$ 4,010,279	$ 3,147,024	$ 549,477	$ (283,176)
Public safety	3,965,649	3,368,296	3,136,594	2,713,241
Highways and streets	5,724,822	5,685,117	2,102,325	1,219,257
Sanitation	464,759	412,168	220,865	285,936
Human services	2,637,381	2,379,046	1,068,483	954,923
Culture and recreation	1,099,889	804,676	1,032,388	786,839
Conservation of natural resources	787,657	678,500	175,205	250,644
Economic development	1,378,709	4,128,763	(1,603,413)	1,695,468
All others	974,640	993,980	490,722	517,715
Total	$ 21,043,785	$ 21,597,570	$ 7,172,646	$ 8,140,847

The County's Funds

As the County completed the year, its governmental funds reported a combined fund balance of $16,356,813 compared to last year's total of $16,216,544. Please see Exhibits 3 and 5 for details.

General Fund Budgetary Highlights

There was one change to the original approved budget for the year ended December 31, 2016, a $30,000 increase in the use of fund balance for human resource projects.

Expenditures, excluding capital, were $1,666,768 above the final budget amounts. The most significant event that led to the higher costs was related to unbudgeted grants for fire prevention, trail maintenance, septic system and economic development loans, water conservation projects, and border control. Grant revenues and related expenditures and capital were generally not budgeted. Please see Exhibit A-1 for details.

CAPITAL ASSETS

At the end of 2016, the County had a net investment of $79,266,738 in a broad range of capital assets, including land, buildings, highways and streets, and equipment. (See Table 4.) This amount represents a net increase (including additions and deductions) of $2,938,598, or 3.8 percent over last year.

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities	
	2016	2015
Land and easements	$ 1,857,678	$ 1,857,678
Construction in progress	3,815,558	5,082,252
Buildings and improvements	15,581,004	16,072,793
Machinery, vehicles, furniture, and equipment	3,326,347	3,943,302
Infrastructure	54,686,151	49,372,115
Total	$ 79,266,738	$ 76,328,140

The majority of the changes in 2016 are transfers of construction in progress for an airport runway extension and road improvements. Please see Note 3.A.3. for details.

DEBT

At year-end, the County had $19,950,000 in bonds and notes outstanding; 2015 year-end was $21,180,000. CIP bonds were retired in 2016.

Table 5
Outstanding Debt at Year-End

	Governmental Activities	
	2016	2015
Capital Improvement (Refunding) Bonds of 2011	$ -	$ 360,000
Sales tax revenue bonds	16,285,000	16,845,000
Capital equipment notes	1,255,000	1,565,000
Tax Abatement Bonds of 2014	2,410,000	2,410,000
Total	$ 19,950,000	$ 21,180,000

See Notes 3.C.2. through 3.C.5. for a more detailed explanation of the County's debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2017 budget, tax levy, and fees that will be charged for various activities:

- continuing unfunded state and federal mandates,
- the desire to maintain a fund balance of at least 75 percent of General Fund operating expenditures,

- the improving economy and its effect on taxpayers and investment income, and

- the continuing stagnation in state and federal funding that had been instrumental in providing services without large increases in local levies.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, please call County Auditor/Treasurer, Braidy Powers, at (218) 387-3646, or send a letter to the Cook County Courthouse, 411 West 2nd Street, Grand Marais, Minnesota 55604-2307.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government Governmental Activities	Component Unit Cook County and Grand Marais Joint Economic Development Authority
Assets		
Cash and pooled investments	$ 12,805,277	$ 266,397
Petty cash and change funds	1,217	-
Taxes receivable		
Delinquent	179,676	20,070
Accounts receivable	801,186	21,196
Land held for resale	-	742,500
Loans receivable	4,186,869	-
Due from other governments	4,608,258	-
Inventories	572,710	34,617
Prepaid items	263,514	-
Capital assets		
Non-depreciable	5,673,236	6,019,053
Depreciable - net of accumulated depreciation	73,593,502	1,413,658
Total Assets	**$ 102,685,445**	**$ 8,517,491**
Deferred Outflows of Resources		
Deferred pension outflows	**$ 5,113,396**	**$ 97,671**
Liabilities		
Accounts payable	$ 971,736	$ 32,341
Salaries payable	434,591	2,509
Contracts payable	127,480	20,000
Gift certificates	-	15,291
Due to other governments	84,414	917,500
Accrued interest payable	240,877	-
Unearned revenue	139,270	760
Capital lease payable - current	-	7,525
Long-term liabilities		
Due within one year	885,000	-
Due in more than one year	19,712,354	-
Capital lease payable	187,277	26,102
Loans payable	-	2,290,384
Net pension liability	9,515,201	227,348
Total Liabilities	**$ 32,298,200**	**$ 3,539,760**

The notes to the financial statements are an integral part of this statement.

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government Governmental Activities		Component Unit Cook County and Grand Marais Joint Economic Development Authority	
Deferred Inflows of Resources				
Deferred pension inflows	**$**	**1,135,702**	**$**	**33,637**
Net Position				
Net investment in capital assets	$	61,726,738	$	5,108,701
Restricted for				
General government		409,300		-
Public safety		292,832		-
Highways and streets		451,052		-
Culture and recreation		2,951,038		-
Conservation of natural resources		348,137		-
Economic development		182,918		-
Environmental improvements		883,436		-
Debt service		1,374,392		-
Unrestricted		5,745,096		(66,936)
Total Net Position	**$**	**74,364,939**	**$**	**5,041,765**

COOK COUNTY
GRAND MARAIS, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Expenses	Fees, Charges, Fines, and Other
Functions/Programs		
Primary government		
Governmental activities		
General government	$ 4,010,279	$ 677,800
Public safety	3,965,649	274,504
Highways and streets	5,724,822	212,167
Sanitation	464,759	143,894
Human services	2,637,381	332,448
Health	355,587	42,335
Culture and recreation	1,099,889	18,201
Conservation of natural resources	787,657	6,784
Economic development	1,378,709	588,737
Interest expense and bond issuance costs	619,053	-
Total Governmental Activities	**$ 21,043,785**	**$ 2,296,870**
Component unit		
Cook County and Grand Marais Joint Economic Development Authority	**$ 1,135,850**	**$ 640,794**

General Revenues
Property taxes
Mortgage registry and deed tax
Local sales tax
Taxes - other
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Gain on disposal of capital assets
Unrestricted investment earnings
Sale of business lots
Miscellaneous

Total general revenues

Change in net position

Net Position - Beginning

Net Position - Ending

The notes to the financial statements are an integral part of this statement.

Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Primary Government	
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Discretely Presented Component Unit
$ 2,783,002	$ -	$ (549,477)	
554,551	-	(3,136,594)	
3,195,904	214,426	(2,102,325)	
100,000	-	(220,865)	
1,236,450	-	(1,068,483)	
441,583	-	128,331	
49,300	-	(1,032,388)	
605,668	-	(175,205)	
242,586	2,150,799	1,603,413	
-	-	(619,053)	
$ 9,209,044	**$ 2,365,225**	**$ (7,172,646)**	
$ 46,657	**$ 300,000**		**$ (148,399)**
		$ 7,012,423	$ 221,460
		10,487	-
		1,502,134	-
		329,666	-
		363,124	-
		562,312	-
		1,206	7,917
		231,079	382
		-	23,458
		200,528	56,119
		$ 10,212,959	**$ 309,336**
		$ 3,040,313	**$ 160,937**
		71,324,626	**4,880,828**
		$ 74,364,939	**$ 5,041,765**

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

COOK COUNTY
GRAND MARAIS, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	Road and Bridge	Public Health and Human Services
Assets			
Cash and pooled investments	$ 5,230,494	$ 1,007,616	$ 620,080
Petty cash and change funds	1,217	-	-
Taxes receivable - delinquent	79,898	46,599	30,741
Accounts receivable	505,351	2,636	21,552
Loans receivable	4,186,869	-	-
Due from other funds	778,096	296	-
Due from other governments	3,077,498	761,460	203,073
Inventories	-	572,710	-
Prepaid items	263,005	-	509
Total Assets	**$ 14,122,428**	**$ 2,391,317**	**$ 875,955**
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	$ 297,971	$ 182,680	$ 90,658
Salaries payable	247,378	106,460	80,753
Contracts payable	-	127,480	-
Due to other funds	296	-	8,638
Due to other governments	77,586	-	6,828
Capital leases payable - long term	-	187,277	-
Unearned revenue	8,630	-	130,640
Total Liabilities	**$ 631,861**	**$ 603,897**	**$ 317,517**
Deferred Inflows of Resources			
Unavailable revenue			
Taxes	$ 286,793	$ 42,241	$ 27,866
Grants	1,885,275	649,249	10,493
Long-term receivables	1,579,373	-	-
Land receivable	-	-	-
Other	-	-	6,960
Total Deferred Inflows of Resources	**$ 3,751,441**	**$ 691,490**	**$ 45,319**

The notes to the financial statements are an integral part of this statement.

EXHIBIT 3

	Airport	Local Option Sales Tax	Debt Service	Nonmajor Funds	Total
	$ -	$ 2,774,035	$ 1,500,829	$ 1,672,223	$ 12,805,277
	-	-	-	-	1,217
	2,420	-	18,276	1,742	179,676
	2,512	-	-	269,135	801,186
	-	-	-	-	4,186,869
	-	-	-	-	778,392
	389,224	177,003	-	-	4,608,258
	-	-	-	-	572,710
	-	-	-	-	263,514
	$ 394,156	**$ 2,951,038**	**$ 1,519,105**	**$ 1,943,100**	**$ 24,197,099**
	$ 272,281	$ -	$ 128,146	$ -	$ 971,736
	-	-	-	-	434,591
	-	-	-	-	127,480
	746,872	-	-	22,586	778,392
	-	-	-	-	84,414
	-	-	-	-	187,277
	-	-	-	-	139,270
	$ 1,019,153	**$ -**	**$ 128,146**	**$ 22,586**	**$ 2,723,160**
	$ 2,194	$ -	$ 16,567	$ 1,579	$ 377,240
	373,009	-	-	-	2,918,026
	-	-	-	-	1,579,373
	-	-	-	235,527	235,527
	-	-	-	-	6,960
	$ 375,203	**$ -**	**$ 16,567**	**$ 237,106**	**$ 5,117,126**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	Road and Bridge	Public Health and Human Services
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)			
Fund Balances			
Nonspendable			
Environmental improvements - principal	$ -	$ -	$ -
Inventories	-	572,710	-
Prepaid items	263,005	-	509
Restricted			
Economic development	-	-	-
Environmental improvements	-	-	-
Forfeited tax	-	-	-
Special projects	-	-	-
Revolving loans	174,413	-	-
Law library	35,117	-	-
National Forest Title III	147,420	-	-
Recorder's technology equipment	106,661	-	-
Recorder's compliance	104,873	-	-
Enhanced 911	220,717	-	-
Attorney's forfeiture	3,494	-	-
Drug forfeitures	2,926	-	-
DWI forfeitures	1,721	-	-
Extension services	40,353	-	-
Sheriff's contingency fund	5,000	-	-
20% unorganized townships	703	-	-
DNR snowmobile	9,927	-	-
Conceal and carry	38,614	-	-
Election equipment	10	-	-
Aquatic invasive species	307,203	-	-
Stonegarden	13,927	-	-
Timber development	581	-	-
Debt service	-	-	-
Assigned			
Arrowhead Economic Opportunity Agency	19,751	-	-
Emergency Medical Service training	9,041	-	-
Hovland dock	1,471	-	-
Planning and zoning permit software	6,113	-	-
Telephone	44,654	-	-
Skateboard park	141	-	-
Data processing equipment	172,707	-	-
Sheriff's cars	251,572	-	-

EXHIBIT 3
(Continued)

Airport	Local Option Sales Tax	Debt Service	Nonmajor Funds	Total
$ -	$ -	$ -	$ 584,434	$ 584,434
-	-	-	-	572,710
-	-	-	-	263,514
-	-	-	8,505	8,505
-	-	-	299,002	299,002
-	-	-	11,022	11,022
-	2,951,038	-	-	2,951,038
-	-	-	-	174,413
-	-	-	-	35,117
-	-	-	-	147,420
-	-	-	-	106,661
-	-	-	-	104,873
-	-	-	-	220,717
-	-	-	-	3,494
-	-	-	-	2,926
-	-	-	-	1,721
-	-	-	-	40,353
-	-	-	-	5,000
-	-	-	-	703
-	-	-	-	9,927
-	-	-	-	38,614
-	-	-	-	10
-	-	-	-	307,203
-	-	-	-	13,927
-	-	-	-	581
-	-	1,374,392	-	1,374,392
-	-	-	-	19,751
-	-	-	-	9,041
-	-	-	-	1,471
-	-	-	-	6,113
-	-	-	-	44,654
-	-	-	-	141
-	-	-	-	172,707
-	-	-	-	251,572

COOK COUNTY
GRAND MARAIS, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	Road and Bridge	Public Health and Human Services
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)			
Fund Balances			
Assigned (Continued)			
Landfill future development	19,257	-	-
County cars	80,712	-	-
Photocopiers	3,009	-	-
Safety committee	1,671	-	-
County landings maintenance	61,138	-	-
Plat book fund	13,180	-	-
Hazardous materials team	1,383	-	-
Sheriff's response unit	833	-	-
Backpack program	4,706	-	-
E-911 signs	2,420	-	-
Software	28,865	-	-
Highways and streets	-	523,220	-
Human services	-	-	512,610
Building improvements	-	-	-
Unassigned	7,539,837	-	-
Total Fund Balances	**$ 9,739,126**	**$ 1,095,930**	**$ 513,119**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 14,122,428**	**$ 2,391,317**	**$ 875,955**

EXHIBIT 3
(Continued)

Airport	Local Option Sales Tax	Debt Service	Nonmajor Funds	Total
-	-	-	-	19,257
-	-	-	-	80,712
-	-	-	-	3,009
-	-	-	-	1,671
-	-	-	-	61,138
-	-	-	-	13,180
-	-	-	-	1,383
-	-	-	-	833
-	-	-	-	4,706
-	-	-	-	2,420
-	-	-	-	28,865
-	-	-	-	523,220
-	-	-	-	512,610
-	-	-	780,445	780,445
(1,000,200)	-	-	-	6,539,637
$ (1,000,200)	**$ 2,951,038**	**$ 1,374,392**	**$ 1,683,408**	**$ 16,356,813**
$ 394,156	**$ 2,951,038**	**$ 1,519,105**	**$ 1,943,100**	**$ 24,197,099**

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EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES DECEMBER 31, 2016

Fund balances - total governmental funds (Exhibit 3)		**$ 16,356,813**
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		79,266,738
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		5,117,126
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.		
Deferred outflows related to pensions		5,113,396
Deferred inflows related to pensions		(1,135,702)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Sales tax revenue bonds	$ (16,285,000)	
General obligation notes	(1,255,000)	
Tax abatement bonds	(2,410,000)	
Accrued interest payable	(240,877)	
Compensated absences	(647,354)	
Net pension liability	(9,515,201)	(30,353,432)
Net Position of Governmental Activities (Exhibit 1)		**$ 74,364,939**

The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Road and Bridge	Public Health and Human Services
Revenues			
Taxes	$ 3,289,233	$ 1,869,571	$ 1,212,379
Special assessments	141,009	-	-
Licenses and permits	63,280	-	15,060
Intergovernmental	5,076,997	4,190,012	1,271,079
Charges for services	462,458	201,013	145,693
Fines and forfeits	15,256	-	-
Gifts and contributions	42,013	-	-
Investment earnings	211,414	-	-
Miscellaneous	599,506	11,154	205,840
Total Revenues	**$ 9,901,166**	**$ 6,271,750**	**$ 2,850,051**
Expenditures			
Current			
General government	$ 3,623,462	$ -	$ -
Public safety	3,156,473	-	-
Highways and streets	-	6,510,232	-
Sanitation	406,225	-	-
Human services	-	-	2,535,591
Health	-	-	343,256
Culture and recreation	734,986	-	-
Conservation of natural resources	760,128	-	-
Economic development	796,687	-	-
Capital outlay	253,646	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Administrative (fiscal) charges	-	-	-
Total Expenditures	**$ 9,731,607**	**$ 6,510,232**	**$ 2,878,847**
Excess of Revenues Over (Under) Expenditures	**$ 169,559**	**$ (238,482)**	**$ (28,796)**
Other Financing Sources (Uses)			
Transfers in	$ 1,615,956	$ -	$ -
Transfers out	-	-	-
Proceeds from sale of capital assets	1,206	-	-
Total Other Financing Sources (Uses)	**$ 1,617,162**	**$ -**	**$ -**
Net Change in Fund Balance	**$ 1,786,721**	**$ (238,482)**	**$ (28,796)**
Fund Balance - January 1	**7,952,405**	**1,339,619**	**541,915**
Increase (decrease) in inventories	**-**	**(5,207)**	**-**
Fund Balance - December 31	**$ 9,739,126**	**$ 1,095,930**	**$ 513,119**

EXHIBIT 5

Airport		Local Options Sales Tax		Debt Service		Nonmajor Funds		Total	
$	95,681	$	1,502,134	$	720,797	$	69,678	$	8,759,473
	-		-		-		-		141,009
	-		-		-		-		78,340
	2,396,645		49,000		300,000		-		13,283,733
	-		-		-		-		809,164
	-		-		-		-		15,256
	-		-		-		-		42,013
	-		-		3,784		15,881		231,079
	28,922		-		133,020		-		978,442
$	**2,521,248**	**$**	**1,551,134**	**$**	**1,157,601**	**$**	**85,559**	**$**	**24,338,509**
$	-	$	-	$	-	$	6,305	$	3,629,767
	-		-		-		-		3,156,473
	-		-		-		-		6,510,232
	-		-		-		-		406,225
	-		-		-		-		2,535,591
	-		-		-		-		343,256
	-		111,700		-		-		846,686
	-		-		-		742		760,870
	115,132		-		-		-		911,819
	2,966,535		-		-		39,028		3,259,209
	-		560,000		670,000		-		1,230,000
	-		511,209		80,683		-		591,892
	-		4,900		7,319		-		12,219
$	**3,081,667**	**$**	**1,187,809**	**$**	**758,002**	**$**	**46,075**	**$**	**24,194,239**
$	**(560,419)**	**$**	**363,325**	**$**	**399,599**	**$**	**39,484**	**$**	**144,270**
$	-	$	-	$	-	$	-	$	1,615,956
	-		-		(1,615,956)		-		(1,615,956)
	-		-		-		-		1,206
$	**-**	**$**	**-**	**$**	**(1,615,956)**	**$**	**-**	**$**	**1,206**
$	**(560,419)**	**$**	**363,325**	**$**	**(1,216,357)**	**$**	**39,484**	**$**	**145,476**
	(439,781)		**2,587,713**		**2,590,749**		**1,643,924**		**16,216,544**
	-		**-**		**-**		**-**		**(5,207)**
$	**(1,000,200)**	**$**	**2,951,038**	**$**	**1,374,392**	**$**	**1,683,408**	**$**	**16,356,813**

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016

Net change in fund balances - total governmental funds (Exhibit 5)			**$**	**145,476**
Amounts reported for governmental activities in the statement of activities are different because:				
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.				
Deferred inflows of resources - December 31	$	5,117,126		
Deferred inflows of resources - January 1		(5,403,881)		(286,755)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.				
Expenditures for general capital assets and infrastructure	$	6,045,042		
Current year depreciation		(3,106,444)		2,938,598
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.				
Principal repayments - general obligation bonds	$	920,000		
Principal repayments - tax abatement bonds		310,000		1,230,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.				
Change in accrued interest payable	$	(14,942)		
Change in compensated absences		(86,891)		
Change in inventories		(5,207)		
Change in net pension liability		(4,726,092)		
Change in deferred pension outflows		4,341,923		
Change in deferred pension inflows		(495,797)		(987,006)
Change in Net Position of Governmental Activities (Exhibit 2)			**$**	**3,040,313**

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUNDS

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COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2016

		Agency Funds
Assets		
Cash and pooled investments	$	1,206,044
Accounts receivable		172,114
Due from other governments		75,213
Total Assets	**$**	**1,453,371**
Liabilities		
Accounts payable	$	131,655
Due to other governments		1,321,716
Total Liabilities	**$**	**1,453,371**

The notes to the financial statements are an integral part of this statement.

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1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2016. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Cook County was established March 9, 1874, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Cook County (primary government) and its component units for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Auditor/Treasurer, elected on a County-wide basis, serves as the clerk of the Board of Commissioners but has no vote.

Blended Component Unit

Blended component units are legally separate organizations so intertwined with the County that they are, in substance, the same as the County and, therefore, are reported as if they were part of the County. Cook County has one blended component unit.

Component Unit	Included in the Reporting Entity Because	Separate Financial Statements
Cook County Building Authority	The County Board is the governing body, and a benefit/burden relationship exists.	Separate financial statements are not prepared.

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Blended Component Unit (Continued)

The Cook County Building Authority is a nonprofit corporation organized under the provisions of Minn. Stat. ch. 317A. The Authority is operated, supervised, and controlled by the County. The County Board is the governing body of the Cook County Building Authority. Although the Authority is legally separate from the County, it is reported as part of the primary government since its sole purpose is to finance the construction of a new jail and courthouse addition. The activity of the Authority is reported in the Debt Service Fund.

Discretely Presented Component Unit

While part of the reporting entity, discretely presented component units are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. The following component unit of Cook County is discretely presented:

Component Unit	Included in the Reporting Entity Because	Separate Financial Statements
Cook County and Grand Marais Joint Economic Development Authority (Authority)	The County appoints a majority of the Cook County and Grand Marais Joint Economic Development Authority Board.	Cook County and Grand Marais Joint Economic Development Authority Box 597 Grand Marais, Minnesota 55604

The Authority is governed by a Board of seven members, four of whom are appointed by the Cook County Board and three of whom are appointed by the Grand Marais City Council. The Authority has all of the powers, rights, duties, and obligations conferred on economic development authorities by Minn. Stat. §§ 469.090-.1081 to promote and provide incentives for economic development. The Authority has included the Resource Development Council of Cook County, Inc., as a blended component unit of the Authority.

Joint Ventures

The County participates in several joint ventures described in Note 5.C. The County also participates in jointly-governed organizations described in Note 5.D.

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities normally are supported by taxes and intergovernmental revenues.

In the government-wide statement of net position, the governmental activities column: (a) is presented on a consolidated basis by column; and (b) is reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category--governmental and fiduciary--are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Public Health and Human Services Special Revenue Fund is used to account for health programs, economic assistance, and community social services programs.

The Airport Special Revenue Fund is used to account for funds used for the operation and maintenance of the County Airport.

The Local Option Sales Tax Special Revenue Fund is used to account for the collection of a one percent sales and use tax to fund the construction, improvements, and additions to County community centers and public recreation areas.

The Debt Service Fund is used to account for the accumulation of resources for and the payment of principal, interest, and related costs of general long-term debt.

Additionally, the County reports the following fund types:

The Leased Lakeshore Permanent Fund is used to account for funds collected from the sale of County-owned lakeshore leased lots. In accordance with 1998 Minn. Laws ch. 389, art. 16, § 31, the principal on these sales must remain in an environmental trust fund, and only the interest may be spent on improvement of natural resources.

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Agency funds are custodial in nature and do not present results of operations. These funds account for assets the County holds for others in an agent capacity.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Shared revenues are generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Cook County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources as needed.

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Investments are reported at fair value at December 31, 2016. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value or fair value per share. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2016 were $211,414.

Cook County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the net asset value per share provided by the pool.

2. Receivables and Payables

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

Loans receivable consist of the outstanding balances of economic development loans to private enterprises. The funds used for these loans are from the State of Minnesota Small Cities Grant Program.

No allowance for uncollectible receivables has been provided because such amounts are not expected to be material.

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

3. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County has one item, deferred pension outflows, that qualifies for reporting in this category. The deferred pension outflows consist of pension plan contributions paid subsequent to the measurement date, changes in actuarial assumptions, pension plan changes in proporation, and differences between projected and actual earnings on pension plan investments. No deferred outflows of resources affect the governmental fund financial statements in the current year.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items, unavailable revenue and deferred pension inflows, that qualify for reporting in this category. Unavailable revenue arises only under a modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred pension inflows arise only under an accrual basis of accounting and, accordingly, are reported only in the statement of net position. This amount consists of differences between expected and actual pension plan economic experience and pension plan changes in proportionate share.

4. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

4. Pension Plan (Continued)

from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. The net pension liability is liquidated through the General Fund and other governmental funds that have personal services.

5. Inventories and Prepaid Items

The Road and Bridge Special Revenue Fund inventory is valued at cost using the average cost method and consists of expendable supplies and parts held for consumption. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

6. Capital Assets (Continued)

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	25 - 50
Improvements other than buildings	20
Public domain infrastructure	20 - 75
Furniture, equipment, and vehicles	4 - 15

7. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual, personal time off, and sick leave balances. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences balances are expected to be liquidated by the General Fund and other County funds that incur personal services expenditures.

8. Unearned Revenue

Governmental funds and the government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column of the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

9. Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Classification of Net Position

Net position in the government-wide and the component unit financial statements is classified in the following categories:

Net investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - the amount of net position that does not meet the definition of restricted or net investment in capital assets.

11. Classification of Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources of the governmental funds. These classifications are as follows:

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

11. Classification of Fund Balance (Continued)

Nonspendable - amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash (noncurrent loans, inventories, and prepaid items).

Restricted - amounts of fund balance subject to external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or constraints imposed by law through constitutional provisions and enabling legislation.

Committed - amounts that can be used only for specific purposes as imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for other purposes unless the County Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - amounts the County intends to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining positive amounts not restricted or committed. In the General Fund, assigned amounts represent intended uses as determined by the County Board or by the Auditor/Treasurer.

Unassigned - the residual classification in the General Fund; it includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations and Deficit Fund Equity

The Airport Special Revenue Fund incurred expenditures that exceeded appropriations in the amount of $2,933,316. Additionally, the expenditures were in excess of revenues and available resources, resulting in a deficit fund equity of $1,000,200. Capital outlay expenditures were greater than anticipated. The deficit fund equity is expected to be eliminated with additional grant reimbursement and future tax levies.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

The County's total cash and investments are reported as follows:

Primary government	
Cash and pooled investments	$ 12,805,277
Petty cash and change funds	1,217
Cook County and Grand Marais Joint Economic Development Authority component unit	
Cash and pooled investments	266,397
Fiduciary funds	
Cash and pooled investments	1,206,044
Total Cash and Investments	$ 14,278,935

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2016, the primary government's deposits were not exposed to custodial credit risk.

The Cook County and Grand Marais Joint Economic Development Authority component unit does not have a policy for custodial credit risk. At December 31, 2016, $21,983 of the Authority's deposits were exposed to custodial credit risk.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

The County may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

(1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;

(2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(4) bankers’ acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide cash flow and liquidity needed for operations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have an investment policy for custodial credit risk. All of Cook County's investments in negotiable certificates of deposit and government securities are held by the counterparty to the transactions and are, therefore, subject to custodial credit risk. A portion of these investments are insured by Securities Investor Protection Corporation (SIPC) insurance or excess SIPC insurance and are not subject to custodial credit risk. At December 31, 2016, the County's investments were not subject to custodial credit risk.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the policy of the County to diversify investments to avoid risk.

The following table presents the County's cash and pooled investment balances at December 31, 2016, and information relating to potential investment risks:

Investment Type	Credit Risk: Credit Rating	Credit Risk: Rating Agency	Concentration Risk: Over 5 Percent of Portfolio	Interest Rate Risk: Maturity Date	Carrying (Fair) Value
U.S. government agency securities					
Federal Home Loan Mortgage Corporation Discount Note	AAA	Moody's		05/27/2020	$ 247,600
Federal Home Loan Mortgage Corporation Discount Note	AAA	Moody's		10/27/2023	1,486,821
Total Federal Home Loan Mortgage Corporation Discount Notes			13.34%		$ 1,734,421
Federal National Mortgage Association	AAA	Moody's	2.66%	07/27/2021	$ 345,520
Government National Mortgage Association Notes	N/A	N/A	23.57%	09/20/2046	$ 3,064,735
Federal Farm Credit Bank Bonds	AAA	Moody's	3.85%	06/23/2021	$ 500,000
Investment pools/mutual funds					
Money market mutual fund	N/A	N/A		N/A	$ 366,359
MAGIC Fund	N/A	N/A		N/A	798,603
Total investment pools/mutual funds			8.96%		$ 1,164,962
Certificates of deposit - negotiable					
Compass Bank	N/A	N/A		12/11/2017	$ 245,397
Ally Bank	N/A	N/A		12/11/2017	245,287
Bank United	N/A	N/A		02/20/2018	244,740
Wells Fargo Bank	N/A	N/A		02/26/2018	224,613
JP Morgan Chase Bank	N/A	N/A		03/22/2018	244,201
Bank Leumi USA	N/A	N/A		04/13/2018	244,211
GE Capital Bank	N/A	N/A		07/13/2018	247,139
American Exp Cent Bank	N/A	N/A		11/28/2018	246,725
Citi Bank	N/A	N/A		06/27/2019	247,004
Sallie Mae Bank	N/A	N/A		07/30/2019	151,035
Discover Bank	N/A	N/A		09/24/2019	247,132
BMW Bank of America	N/A	N/A		09/26/2019	246,862
Comenity Capital Bank	N/A	N/A		10/07/2019	247,117
Washington Trust Co.	N/A	N/A		12/16/2019	246,174

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Investment Type	Credit Risk: Credit Rating	Credit Risk: Rating Agency	Concentration Risk: Over 5 Percent of Portfolio	Interest Rate Risk: Maturity Date	Carrying (Fair) Value
Certificates of deposit - negotiable (Continued)					
Capital One Bank USA	N/A	N/A		06/17/2020	226,244
Comenity Bank	N/A	N/A		06/24/2020	200,336
Capital One NA	N/A	N/A		07/22/2020	246,950
Everbank	N/A	N/A		09/30/2020	214,718
HSBC Bank USA	N/A	N/A		11/09/2021	244,625
Worlds Foremost Bank	N/A	N/A		05/08/2023	197,654
Toyota Final Saving's Bank	N/A	N/A		06/15/2023	237,535
State Bank India	N/A	N/A		08/19/2019	211,218
HSBC	N/A	N/A		12/30/2020	235,924
Bank India New York	N/A	N/A		03/22/2017	220,000
BBCN Bank Los Angeles CA	N/A	N/A		03/23/2017	75,000
Bank Baroda NY BRH	N/A	N/A		04/13/2017	100,000
Barclays Bank Del Retail	N/A	N/A		04/18/2017	35,047
Bank Baroda NY BRH	N/A	N/A		06/09/2017	150,000
Community PT Bank Russellville	N/A	N/A		06/09/2017	75,000
SAFRA National Bank	N/A	N/A		06/15/2017	161,000
ZBNA	N/A	N/A		08/15/2017	35,000
Total certificates of deposit - negotiable			47.63%		$ 6,193,888
Total pooled investments					$ 13,003,526
Deposits					1,007,795
Petty cash					1,217
Deposits - component unit					266,397
Total Cash and Investments					$ 14,278,935

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

At December 31, 2016, the County had the following recurring fair value measurements.

		Fair Value Measurements Using		
	December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
Federal Home Loan Mortgage Corporation Discount Note	$ 1,734,421	$ -	$ 1,734,421	$ -
Federal National Mortgage Association	345,520	-	345,520	-
Governmental National Mortgage Association Notes	3,064,735	-	3,064,735	-
Federal Farm Credit Bank Bonds	500,000	-	500,000	-
Negotiable certificates of deposit	6,193,888	-	6,193,888	-
Total debt securities	$ 11,838,564	$ -	$ 11,838,564	$ -
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	$ 798,603			
Money market mutual fund	366,359			
Total investments measured at NAV	$ 1,164,962			
Total Investments	$ 13,003,526			

All Level 2 debt securities are valued using a matrix pricing technique based on the securities' relationship to benchmark quoted prices.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

MAGIC is a local government investment pool which is quoted at a net asset value (NAV). The County invests in this pool for the purpose of the joint investment of the County's money with those of other counties to enhance the investment earnings accruing to each member.

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical.

The County invests in money market funds for the benefit of liquid investments that can be readily re-invested or made available for use. Money market funds held by the County seek a constant NAV of $1.00 per share. The money market fund reserves the right to require one or more days prior notice before permitting withdrawals.

2. Receivables

Receivables as of December 31, 2016, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	$ 179,676	$ -
Accounts	801,186	-
Loans	4,186,869	4,070,729
Due from other governments	4,608,258	633,291
Total Governmental Activities	$ 9,775,989	$ 4,704,020

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

Loans receivable represent amounts owed from private businesses within the County for economic development. The revolving loan fund activity is included in the General Fund. At year-end, the County had 35 loans with balances outstanding. Scheduled collections on these loans range from 5 to 20 years. Due from other governments, amounts not scheduled for collection during the subsequent year, are loans to fire districts for the purchase of equipment. Loans are repaid through the fire district tax levies. Collections for the loans to fire districts range from 7 to 19 years.

3. Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land and easements	$ 1,857,678	$ -	$ -	$ 1,857,678
Construction in progress	5,082,252	5,772,848	7,039,542	3,815,558
Total capital assets not depreciated	$ 6,939,930	$ 5,772,848	$ 7,039,542	$ 5,673,236
Capital assets depreciated				
Buildings	$ 20,833,448	$ 58,859	$ -	$ 20,892,307
Improvements other than buildings	998,062	-	-	998,062
Machinery, vehicles, furniture, and equipment	10,319,627	272,195	-	10,591,822
Infrastructure	68,882,643	6,980,682	-	75,863,325
Total capital assets depreciated	$ 101,033,780	$ 7,311,736	$ -	$ 108,345,516
Less: accumulated depreciation for				
Buildings	$ 5,175,388	$ 502,865	$ -	$ 5,678,253
Improvements other than buildings	583,329	47,783	-	631,112
Machinery, vehicles, furniture, and equipment	6,376,325	889,150	-	7,265,475
Infrastructure	19,510,528	1,666,646	-	21,177,174
Total accumulated depreciation	$ 31,645,570	$ 3,106,444	$ -	$ 34,752,014
Total capital assets depreciated, net	$ 69,388,210	$ 4,205,292	$ -	$ 73,593,502
Capital Assets, Net	$ 76,328,140	$ 9,978,140	$ 7,039,542	$ 79,266,738

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities		
General government	$	183,847
Public safety		324,967
Highways and streets, including depreciation of infrastructure assets		1,843,268
Sanitation		38,415
Culture and recreation		247,652
Conservation of natural resources		1,405
Economic development		466,890
Total Depreciation Expense - Governmental Activities	$	3,106,444

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2016, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Public Health and Human Services Fund	$ 8,638	Reimburse for supplies and services
	Forfeited Tax Fund	22,586	To fund deficit cash
	Airport Fund	746,872	To fund deficit cash
Total Due to General Fund		$ 778,096	
Road and Bridge Fund	General Fund	296	Charges for services
Total Due To/From Other Funds		$ 778,392	

Due to/from other funds are expected to be repaid within the year.

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers (Continued)

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2016, consisted of the following:

Transfer from	Transfer to	Amount	Purpose
Debt Service Fund	General Fund	$ 1,615,956	Capital expenditures

C. Liabilities

1. Payables

Payables at December 31, 2016, were as follows:

	Governmental Activities
Accounts	$ 971,736
Salaries	434,591
Contracts	127,480
Due to other governments	84,414
Total Payables	$ 1,618,221

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2016
General obligation bonds					
Sales Tax Revenue Bonds of 2011	2032	$280,000 - $565,000	2.00 - 3.65	$ 8,500,000	$ 7,195,000
Taxable Sales Tax Revenue Bonds of 2012	2035	$160,000 - $1,240,000	2.00 - 3.30	9,660,000	9,090,000
Tax Abatement Bonds of 2014	2037	$95,000 - $160,000	1.10 - 3.50	2,410,000	2,410,000
Total General Obligation Bonds, Net					$ 18,695,000
General Obligation Notes					
Capital Equipment Notes of 2012	2020	$305,000 - $320,000	0.35 - 1.10	$ 2,175,000	$ 1,255,000

All long-term debt, except for the sales tax revenue bonds, is paid by the Debt Service Fund. The sales tax revenue bonds debt service is paid by the Local Options Sales Tax Special Revenue Fund.

3. Debt Service Requirements

Debt service requirements at December 31, 2016, were as follows:

Year Ending December 31	Capital Improvement, Sales Tax Revenue, and Tax Abatement Bonds		General Obligation Capital Equipment Notes	
	Principal	Interest	Principal	Interest
2017	$ 575,000	$ 564,644	$ 310,000	$ 10,000
2018	695,000	548,772	310,000	7,752
2019	715,000	530,602	315,000	5,016
2020	750,000	510,229	320,000	1,760
2021	775,000	488,754	-	-
2022 - 2026	4,345,000	2,097,327	-	-
2027 - 2031	5,300,000	1,368,319	-	-
2032 - 2036	5,380,000	406,453	-	-
2037	160,000	2,800	-	-
Total	$ 18,695,000	$ 6,517,900	$ 1,255,000	$ 24,528

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Capital improvement bonds	$ 360,000	$ -	$ 360,000	$ -	$ -
Sales tax revenue bonds	7,545,000	-	350,000	7,195,000	355,000
Taxable sales tax revenue bonds	9,300,000	-	210,000	9,090,000	220,000
Tax abatement bonds	2,410,000	-	-	2,410,000	-
Total bonds payable	$ 19,615,000	$ -	$ 920,000	$ 18,695,000	$ 575,000
Notes payable					
Capital equipment notes	1,565,000	-	310,000	1,255,000	310,000
Compensated absences	560,463	557,587	470,696	647,354	-
Long-Term Liabilities	$ 21,740,463	$ 557,587	$ 1,700,696	$ 20,597,354	$ 885,000

5. Ongoing Disclosure of Long-Term Liabilities

The County has covenanted to provide ongoing disclosure of certain annual financial information and operating data with respect to the County, including audited financial statements of the County. The County's ongoing disclosures are with respect to the following issues:

- General Obligation Sales Tax Revenue Bonds, Series 2011B, November 22, 2011;
- General Obligation Equipment Notes, Series 2012A, December 13, 2012;
- Taxable General Obligation Sales Tax Revenue Bonds, Series 2012B, December 13, 2012; and
- General Obligation Tax Abatements Bonds, Series 2014A, October 21, 2014.

4. Pension Plans

A. Defined Benefit Pension Plans

1. Plan Description

All full-time and certain part-time employees of Cook County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan and the Public Employees Police and Fire Plan, which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

The General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Retirement Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual

4. Pension Plans

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

The benefit provisions stated in the following paragraph of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated their public service.

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. Minneapolis Employees Retirement Fund members have an annuity accrual rate of 2.0 percent of average salary for each of the first ten years of service and 2.5 percent for each remaining year. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

For General Employees Retirement Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Public Employees Police and Fire Plan members, normal retirement age is 55, and

4. Pension Plans

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Basic members, Coordinated members, and Minneapolis Employees Retirement Fund members were required to contribute 9.10 percent, 6.50 percent, and 9.75 percent, respectively, of their annual covered salary in 2016. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2016.

In 2016, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Plan	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Minneapolis Employees Retirement Fund members	9.75
Public Employees Police and Fire Plan	16.20

The employee and employer contribution rates did not change from the previous year.

The County's contributions for the year ended December 31, 2016, to the pension plans were:

General Employees Retirement Plan	$	353,955
Public Employees Police and Fire Plan		146,349

The contributions are equal to the contractually required contributions as set by state statute.

4. Pension Plans

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs

General Employees Retirement Plan

At December 31, 2016, the County reported a liability of $5,943,476 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.0732 percent. It was 0.0718 percent measured as of June 30, 2015. The County recognized pension expense of $809,008 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized $23,128 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

County's proportionate share of the net pension liability	$ 5,943,476
State of Minnesota's proportionate share of the net pension liability associated with the County	77,565
Total	$ 6,021,041

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

The County reported its proportionate share of the General Employees Retirement Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 480,380
Changes in actuarial assumptions	1,163,738	-
Difference between projected and actual investment earnings	1,122,945	-
Changes in proportion	54,416	162,064
Contributions paid to PERA subsequent to the measurement date	176,959	-
Total	$ 2,518,058	$ 642,444

The $176,959 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	$ 446,801
2018	446,801
2019	590,368
2020	214,685

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Police and Fire Plan

At December 31, 2016, the County reported a liability of $3,571,725 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.089 percent. It was 0.094 percent measured as of June 30, 2015. The County recognized pension expense of $602,401 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized $8,010 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Plan. Legislation requires the State of Minnesota to contribute $9 million to the Public Employees Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

The County reported its proportionate share of the Public Employees Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 417,114
Changes in actuarial assumptions	1,965,676	-
Difference between projected and actual investment earnings	552,494	-
Changes in proportion	-	76,144
Contributions paid to PERA subsequent to the measurement date	77,168	-
Total	$ 2,595,338	$ 493,258

The $77,168 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	$ 435,869
2018	435,869
2019	435,869
2020	389,346
2021	327,959

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2016, was $1,411,409.

4. Pension Plans

   A. Defined Benefit Pension Plans (Continued)

      5. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants in the General Employees Retirement Plan were based on RP-2014 tables, while mortality rates for Public Employees Police and Fire Plan were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.0 percent.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Plan was for the period 2008 through 2015. The experience study for the Public Employees Police and Fire Plan was for the period 2004 through 2009.

On August 16, 2016, an updated experience study was done for PERA's Public Employees Police and Fire Plan for the period 2011 through 2015, which would result in a larger pension liability. However, PERA will implement the changes in assumptions for its June 30, 2017, estimate of pension liability.

The long-term expected rate of return on pension plan investments is 7.5 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of

4. Pension Plans

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2016, a reduction of the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In the Public Employees Police and Fire Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056. Beginning in fiscal year ended June 30, 2057, when projected benefit payments exceed the Plan's projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60 percent for the Public Employees Police and Fire Plan was determined that produced approximately the same present

4. Pension Plans

A. Defined Benefit Pension Plans

6. Discount Rate (Continued)

value of the projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits through the point of asset depletion and 2.85 percent thereafter.

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

4. Pension Plans

A. Defined Benefit Pension Plans (Continued)

8. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	Proportionate Share of the			
	General Employees Retirement Plan		Public Employees Police and Fire Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 8,441,499	4.60%	$ 4,999,941
Current	7.50	5,943,476	5.60	3,571,725
1% Increase	8.50	3,885,787	6.60	2,404,764

9. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

B. Defined Contribution Plan

Four Commissioners of Cook County are covered by the Public Employees Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the state legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

4. Pension Plans

B. Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by Cook County during the year ended December 31, 2016, were:

	Employee	Employer
Contribution amount	$ 6,147	$ 6,147
Percentage of covered payroll	5%	5%

5. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For group health insurance, the County belongs to the Northeast Service Cooperative (NESC). For other risks, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

with coverage at $500,000 per claim in 2016 and 2017. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and the County pays an annual premium to cover current and future losses. MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The NESC is a joint powers entity which sponsors a plan to provide group employee health benefits to its participating members. All members pool premiums and losses; however, a particular member may receive increases or decreases depending on a good or bad year of claims experience. Premiums are determined annually by the NESC and are based partially on the experience of the County and partially on the experience of the group. The NESC solicits proposals from carriers and negotiates the contracts.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Commitments and Contingencies

In May 2015, Cook County entered into a joint powers agreement with the City of Grand Marais and the Cook County and Grand Marais Joint Economic Development Authority (EDA) for the reassessment of business park lots for the EDA's Cedar Grove

5. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities

Commitments and Contingencies (Continued)

Business Park project and for clarity in determining contributions for servicing the debt service on this project. Under the original agreement, the City would receive the first $60,000 on the sale of each lot to cover the debt payments; however, based on current valuations, the lot sales are not expected to cover the debt payments. The revised agreement states all proceeds from the future sales of the business park lots will go into a reserve account with the City to be used for redemption of the debt service on the project, Bond Series 2009A, which had an original face value of $1,685,000. Cook County shall annually pay the City, on or before July 1 each year, an amount which constitutes 50 percent of the net annual bond payment in accordance with the debt service payment schedule of the bond, less any proceeds from lot sales. The amount of the future liability to the County cannot be determined as it is contingent on the sales of the business lots.

C. Joint Ventures

Arrowhead Regional Corrections

The County, in a joint powers agreement pursuant to Minn. Stat. § 471.59, participates with Carlton, Koochiching, Lake, and St. Louis Counties in the Arrowhead Regional Corrections Board, which was established pursuant to the Community Corrections Act, Minn. Stat. §§ 401.01-.16.

The Arrowhead Regional Corrections Board comprises three major divisions: juvenile institutional services, adult institutional services, and court and field services. These divisions are composed of the five participating counties' probation departments, the Arrowhead Juvenile Detention Center, and the Northeast Regional Corrections Center. Arrowhead Regional Corrections is governed by an eight-member Board, composed of one member appointed from each of the participating counties' Boards of Commissioners, except for St. Louis County, which has three members appointed by its Board. In addition, the right to have an additional member is annually rotated among Carlton, Cook, Koochiching, and Lake Counties.

Arrowhead Regional Corrections is financed through state grants and contributions from the participating counties. Cook County provided $288,092 in funding during 2016.

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Arrowhead Regional Corrections (Continued)

Separate financial information can be obtained from:

Arrowhead Regional Corrections
211 West Second Street, Suite 450
Duluth, Minnesota 55802

Carlton, Cook, Lake, and St. Louis Community Health Board

Carlton, Cook, Lake, and St. Louis Counties entered into a joint powers agreement creating and operating the Carlton, Cook, Lake, and St. Louis Community Health Board. This agreement was entered into January 1, 1977, and is established pursuant to Minn. Stat. § 471.59.

The Community Health Board is composed of nine members. The Carlton, Cook, and Lake County Boards of Commissioners each appoint two members; the St. Louis County Board of Commissioners appoints three members. Financing is obtained through federal and state grants. Cook County provided no funding to this organization in 2016.

Separate financial information can be obtained from:

Carlton, Cook, Lake, and St. Louis Community Health Board
404 West Superior Street, Suite 220
Duluth, Minnesota 55802

Northeast Minnesota Office of Job Training

Aitkin, Carlton, Cook, Itasca, Koochiching, Lake, and St. Louis Counties (excluding the City of Duluth) entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, for the purpose of developing and implementing a private and public job training program. The United States Congress, through the Job Training Partnership Act of 1982, authorized states to establish "service delivery areas" to provide programs to achieve full employment through the use of grants. The counties identified above are

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Northeast Minnesota Office of Job Training (Continued)

defined as a "service delivery area," and the Northeast Minnesota Office of Job Training is designated as the grant recipient and administrator for the service delivery area. Cook County is not a funding mechanism for this organization.

The governing body is composed of seven members, one member from the Board of Commissioners of each of the participating counties.

Separate financial information can be obtained from:

Northeast Minnesota Office of Job Training
820 North 9th Street, Suite 210
Virginia, Minnesota 55792

Minnesota Counties Information System

Aitkin, Carlton, Cass, Chippewa, Cook, Crow Wing, Dodge, Itasca, Koochiching, Lac qui Parle, Lake, Sherburne, and St. Louis Counties entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, for the purpose of operating and maintaining data processing facilities and management information systems for use by its members.

Minnesota Counties Information System (MCIS) is governed by a 13-member Board, composed of a member appointed by each of the participating county's Board of Commissioners. Financing is obtained through user charges to the member. Cass County is the fiscal agent for MCIS.

Each county's share of the assets and liabilities cannot be accurately determined since it will depend on the number of counties that are members when the agreement is dissolved.

Separate financial information can be obtained from:

Minnesota Counties Information System
413 Southeast 7th Avenue
Grand Rapids, Minnesota 55744

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Northern Counties Land Use Coordinating Board

The Northern Counties Land Use Coordinating Board was established through a joint powers agreement, pursuant to Minn. Stat. § 471.59, for the purpose of helping to formulate land use plans for the protection, sustainable use, and development of lands and natural resources.

The joint powers are Aitkin, Cook, Koochiching, Lake, Lake of the Woods, Pennington, Roseau, and St. Louis Counties. Three elected County Commissioners from St. Louis County and two from each of the other counties comprise the membership of the Board. St. Louis County handles all of the financial transactions for this organization through its Northern Counties Land Use Board Agency Fund.

Cook County provided no funding to this organization during 2016.

Separate financial information can be obtained from:

Northern Counties Land Use Coordinating Board
St. Louis County Courthouse
100 North 5th Avenue West, #214
Duluth, Minnesota 55802

North Shore Collaborative

The North Shore Collaborative was established in 1995 pursuant to Minn. Stat. § 124D.23. The Collaborative includes Cook County, Lake County, Independent School District 381, Independent School District 166, and the Grand Portage Reservation. The purpose of the Collaborative is to form a coalition of agencies, schools, and communities along the North Shore that will systematically address the mental health and other needs of the whole person for all children and youth; ensure their graduation from high school; and assist them in becoming healthy, happy, productive citizens.

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

North Shore Collaborative (Continued)

Control of the North Shore Collaborative is vested in a Board of Directors. Financing is provided by state and federal grants, appropriations from Collaborative members, and miscellaneous revenues. Lake County is the fiscal agent for the Collaborative and handles all of the financial transactions for the organization. Financial information for the Collaborative for the fiscal year ended December 31, 2016, is as follows:

Total Assets	$	169,530
Total Liabilities		169,530

Separate financial information can be obtained from:

Lake County
601 - 3rd Avenue
Two Harbors, Minnesota 55616

Arrowhead Health Alliance

Carlton, Cook, Koochiching, and Lake Counties entered into a joint powers agreement, pursuant to Minn. Stat. §§ 471.59 and 256B.692, for the purpose of organizing, governing, planning, and administering a county-based purchasing entity to participate in prepaid health care programs through the Minnesota Department of Human Services and the federal Centers for Medicare and Medicaid Services. In 2012, St. Louis County joined the Arrowhead Health Alliance.

Control of the Arrowhead Health Alliance is vested in a Board of Directors composed of one representative from each of the member counties. Carlton County is the fiscal agent for the Alliance.

Cook County contributed $30,373 in start-up funds to the Arrowhead Health Alliance in 2007. The County provided no further funding in 2016.

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Northeast Minnesota Regional Radio Board

The Northeast Minnesota Regional Radio Board was established through a joint powers agreement, pursuant to Minn. Stat. §§ 471.59 and 403.39, to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) and to enhance and improve interoperable public safety communications.

The joint powers are the Counties of Aitkin, Carlton, Cass, Cook, Crow Wing, Itasca, Kanabec, Koochiching, Lake, Pine, and St. Louis and the Cities of Duluth, Hibbing, International Falls, and Virginia. Control of the Northeast Minnesota Regional Radio Board is vested in a Board of Directors composed of one County Commissioner from each of the member counties and one City Council member from each of the member cities. In addition, there is one member from the Northeast Minnesota Regional Advisory Committee, one member from the Northeast Minnesota Regional Radio System User Committee, and one member from the Northeast Minnesota Owners and Operators Committee who are also voting members of the Board.

Itasca County is the fiscal agent for the Northeast Minnesota Regional Radio Board. Funding is provided by grants and contributions from participating members. During the year, Cook County made payments of $605 to the Board.

Separate financial information can be obtained from:

Itasca County
123 Northeast 4th Street
Grand Rapids, Minnesota 55744-2847

5. Summary of Significant Contingencies and Other Items (Continued)

D. Jointly-Governed Organizations

Cook County, in conjunction with other local governments, has formed joint powers boards to provide a variety of services. Cook County appoints at least one member to the following organizations:

North Shore Management Board

The North Shore Management Board provides Lake Superior Shoreline planning for Cook, Lake, and St. Louis Counties; the Cities of Beaver Bay, Grand Marais, Silver Bay, and Two Harbors; and the Towns of Duluth and Lakewood. During the year, Cook County made payments of $2,500 to the Board.

Community Health Information Collaborative

The Community Health Information Collaborative (CHIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. Cook County did not contribute to the CHIC during 2016.

Region Two - Northeast Minnesota Homeland Security Emergency Management Organization

The Region Two - Northeast Minnesota Homeland Security Emergency Management Organization was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the region. Control is vested in the Board, which is composed of representatives appointed by each Board of County Commissioners. Cook County's responsibility does not extend beyond making this appointment.

Minnesota Criminal Justice Data Communications Network

The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, Cook County made no payments to the joint powers.

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Aitkin, Beltrami, Clay, Clearwater, Cook, Douglas, Grant, Itasca, Kittson, Koochiching, Lake of the Woods, Mahnomen, Marshall, McLeod, Mille Lacs, Norman, Otter Tail, Pennington, Polk, Pope, Red Lake, Roseau, Stevens, Todd, and Traverse Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee, which is composed of ten directors, each with an alternate, who are appointed annually by each respective County Board. Cook County's responsibility does not extend beyond making this appointment.

Sentence to Serve

Cook County, in conjunction with other local governments, participates in the State of Minnesota's Sentence to Serve (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from various foundations and initiative funds, as well as the Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program. Cook County has no operational or financial control over the STS program. The County does not budget for any percentage of this program.

E. Tax-Forfeited Land

The County manages approximately 4,232 acres of state-owned tax-forfeited land. This land generates revenues primarily from recreational land leases and land and timber sales. Land management costs, including forestry costs such as site preparation, seedlings, tree planting, and logging roads, are accounted for as current operating expenditures. Revenues in excess of expenditures are distributed to the County and cities, towns, and school districts within the County according to state statute.

6. Component Unit Disclosures - Cook County and Grand Marais Joint Economic Development Authority

A. Summary of Significant Accounting Policies

In addition to those identified in Note 1, the County's discretely presented component unit has the following significant accounting policies.

Reporting Entity

The Cook County and Grand Marais Joint Economic Development Authority is governed by a seven-member Board. Four members are appointed by the Cook County Board of Commissioners, and three members are appointed by the Grand Marais City Council. The Authority is considered to be a component unit of Cook County. The Authority has one blended component unit, the Resource Development Council of Cook County, Inc.

Basis of Accounting

The Authority's governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Its enterprise fund and government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Cash and Investments

The Authority's cash consists of petty cash, checking accounts, and savings accounts.

Inventories

Inventory consists of golf course merchandise for resale. All inventories are valued at lower of cost or market using the first in/first out method. Inventories are recorded as expenses when consumed.

6. Component Unit Disclosures - Cook County and Grand Marais Joint Economic Development Authority

A. Summary of Significant Accounting Policies (Continued)

Land Held for Resale

Land held for resale comprises the business lots for sale in the Cedar Grove Business Park. The Authority constructed the Cedar Grove Business Park within the City of Grand Marais to provide land sites for new or existing businesses. The lots are valued at the lower of historical cost or fair market value.

Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than $1,000. Such assets are recorded at historical cost, except for land, which was donated. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Land improvements, buildings and structures, and furniture and equipment of the Authority are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land improvements	30
Buildings and structures	20
Furniture and equipment	1 - 20

6. Component Unit Disclosures - Cook County and Grand Marais Joint Economic Development Authority (Continued)

B. Detailed Notes

1. Assets

Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 213,685	$ -	$ -	$ 213,685
Construction in progress	4,245,093	1,560,275	-	5,805,368
Total capital assets not depreciated	$ 4,458,778	$ 1,560,275	$ -	$ 6,019,053
Capital assets depreciated				
Land improvements	$ 4,424,884	$ -	$ -	$ 4,424,884
Buildings and structures	372,371	-	-	372,371
Furniture and equipment	1,069,808	60,448	85,076	1,045,180
Total capital assets depreciated	$ 5,867,063	$ 60,448	$ 85,076	$ 5,842,435
Less: accumulated depreciation for				
Land improvements	$ 3,036,374	$ 151,467	$ -	$ 3,187,841
Buildings and structures	372,371	-	-	372,371
Furniture and equipment	900,930	52,711	85,076	868,565
Total accumulated depreciation	$ 4,309,675	$ 204,178	$ 85,076	$ 4,428,777
Total capital assets depreciated, net	$ 1,557,388	$ (143,730)	$ -	$ 1,413,658
Capital Assets, Net	$ 6,016,166	$ 1,416,545	$ -	$ 7,432,711

Depreciation expense was charged to functions/programs of the government as follows:

Golf course	$ 204,178

6. Component Unit Disclosures - Cook County and Grand Marais Joint Economic Development Authority

B. Detailed Notes (Continued)

2. Liabilities

Operating Leases

The Authority leases golf carts under non-cancelable operating leases. Total costs for such leases were $27,877 for the year ended December 31, 2016. These operating leases are expected to continue indefinitely or be replaced by similar leases.

Capital Lease

The Authority has one lease agreement that qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The Authority entered into a lease-purchase arrangement with Merchants Bank Equipment Finance to purchase a skid steer loader in 2016. The original lease balance totaled $39,826, at an interest rate of 3.05 percent. Payments on the skid steer loader capital lease are made from the Golf Course Fund. The future minimum lease obligations as of December 31, 2016, were as follows:

Year Ended December 31	Amount
2017	$ 7,525
2018	7,758
2019	7,998
2020	8,245
2021	2,101
Total	$ 33,627

6. Component Unit Disclosures - Cook County and Grand Marais Joint Economic Development Authority

B. Detailed Notes

2. Liabilities (Continued)

Debt Obligations

The Authority owes the City of Grand Marais proceeds for land held for resale after lots are sold. The value of the lots as of December 31, 2016, was estimated at $742,500.

Debt activity for the year ended December 31, 2016, is:

	Beginning Balance	Additions/ Advances	Payments/ Adjustments	Ending Balance
Operating loan	$ 175,000	$ -	$ -	$ 175,000
Land held for resale	1,230,000	-	(487,500)	742,500
Due to Other Governments	$ 1,405,000	$ -	$ (487,500)	$ 917,500

In October 2014, Cook County issued General Obligation Tax Abatement Bonds, Series 2014A, on behalf of the Cook County and Grand Marais Joint Economic Development Authority. The bonds have a face value of $2,410,000 and will be repaid over a period of 15 years. Proceeds of the bonds were used to help finance improvements to the Superior National at Lutsen Golf Course. The Authority entered into a loan agreement with Cook County and makes loan payments to the County in sufficient amounts for the County to make the required payments on the bonds.

A summary of changes in long-term debt follows:

	Beginning Balance	Additions	Payments	Ending Balance
Loans payable	$ 1,030,109	$ 1,260,275	$ -	$ 2,290,384

6. Component Unit Disclosures - Cook County and Grand Marais Joint Economic Development Authority (Continued)

C. Defined Benefit Pension Plan

1. Plan Description

All full-time and certain part-time employees of the Authority are covered by a defined benefit pension plan administered by PERA. PERA administers the General Employees Retirement Plan, which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

2. Contributions

The Authority's contributions for the General Employees Retirement Plan for the year ended December 31, 2016, were $15,808. The contributions are equal to the contractually required contributions as set by state statute.

3. Pension Costs

At December 31, 2016, the Authority reported a liability of $227,348 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the Authority's proportion was 0.0030 percent. It was 0.0028 percent measured as of June 30, 2015. The Authority recognized pension expense of $27,421 for its proportionate share of the General Employees Retirement Plan's pension expense.

The Authority also recognized $905 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

6. Component Unit Disclosures - Cook County and Grand Marais Joint Economic Development Authority

C. Defined Benefit Pension Plan

3. Pension Costs (Continued)

Authority's proportionate share of the net pension liability	$	227,348
State of Minnesota's proportionate share of the net pension liability associated with the Authority		3,036
Total	$	230,384

The Authority reported its proportionate share of the General Employees Retirement Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual economic experience	$	-	$	18,817
Changes in actuarial assumptions		44,515		-
Difference between projected and actual investment earnings		43,887		-
Changes in proportion		-		14,820
Contributions paid to PERA subsequent to the measurement date		9,269		-
Total	$	97,671	$	33,637

6. Component Unit Disclosures - Cook County and Grand Marais Joint Economic Development Authority

C. Defined Benefit Pension Plan

3. Pension Costs (Continued)

A total of $9,269 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	$ 13,472
2018	13,472
2019	19,608
2020	8,213

4. Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	Proportionate Share of the General Employees Retirement Plan	
	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 322,899
Current	7.50	227,348
1% Increase	8.50	148,637

Additional pension information regarding benefits provided, contributions, actuarial assumptions, discount rates, and pension plan fiduciary net position can be found in Note 4.A.

6. Component Unit Disclosures - Cook County and Grand Marais Joint Economic Development Authority (Continued)

D. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The Authority purchases commercial insurance for all risks of loss. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

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COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 3,154,537	$ 3,154,537	$ 3,289,233	$ 134,696
Special assessments	-	-	141,009	141,009
Licenses and permits	42,600	42,600	63,280	20,680
Intergovernmental	3,528,020	3,528,020	5,076,997	1,548,977
Charges for services	480,390	480,390	462,458	(17,932)
Fines and forfeits	12,500	12,500	15,256	2,756
Gifts and contributions	-	-	42,013	42,013
Investment earnings	150,000	150,000	211,414	61,414
Miscellaneous	469,213	469,213	599,506	130,293
Total Revenues	**$ 7,837,260**	**$ 7,837,260**	**$ 9,901,166**	**$ 2,063,906**
Expenditures				
Current				
General government				
Commissioners	$ 316,527	$ 316,527	$ 290,876	$ 25,651
Courts	25,000	25,000	21,998	3,002
Law library	14,292	14,292	11,537	2,755
County auditor	750,948	750,948	460,619	290,329
County assessor	328,558	328,558	298,651	29,907
Elections	19,155	19,155	38,253	(19,098)
Data processing	624,543	624,543	692,410	(67,867)
Personnel	245,970	275,970	280,061	(4,091)
Attorney	395,169	395,169	386,253	8,916
Recorder	209,611	209,611	223,473	(13,862)
Planning and zoning	323,371	323,371	331,335	(7,964)
Buildings and plant	548,939	548,939	536,603	12,336
Veterans service officer	50,941	50,941	51,393	(452)
Total general government	**$ 3,853,024**	**$ 3,883,024**	**$ 3,623,462**	**$ 259,562**
Public safety				
Sheriff	$ 1,994,781	$ 1,994,781	$ 1,854,887	$ 139,894
Boat and water safety	-	-	15,170	(15,170)
Emergency services	110,144	110,144	310,045	(199,901)
Coroner	20,500	20,500	24,057	(3,557)
E-911 system	97,137	97,137	59,073	38,064
County jail	316,063	316,063	263,383	52,680
Community corrections	288,092	288,092	283,298	4,794
Other public safety	-	-	346,560	(346,560)
Total public safety	**$ 2,826,717**	**$ 2,826,717**	**$ 3,156,473**	**$ (329,756)**

The notes to the required supplementary information are an integral part of this schedule.

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Sanitation				
Solid waste	$ 56,651	$ 56,651	$ 56,998	$ (347)
Recycling	320,363	320,363	346,020	(25,657)
Other sanitation	-	-	3,207	(3,207)
Total sanitation	**$ 377,014**	**$ 377,014**	**$ 406,225**	**$ (29,211)**
Culture and recreation				
Historical society	$ 65,000	$ 65,000	$ 65,000	$ -
Parks	24,000	24,000	45,971	(21,971)
Senior citizens	73,000	73,000	73,000	-
Regional library	145,564	145,564	145,564	-
Contributions to the YMCA	-	-	75,789	(75,789)
Other	138,913	138,913	329,662	(190,749)
Total culture and recreation	**$ 446,477**	**$ 446,477**	**$ 734,986**	**$ (288,509)**
Conservation of natural resources				
Cooperative extension	$ 80,387	$ 80,387	$ 101,786	$ (21,399)
Soil and water conservation	36,239	36,239	51,373	(15,134)
Agricultural inspections	9,000	9,000	61,198	(52,198)
Environmental services	133,235	133,235	545,771	(412,536)
Total conservation of natural resources	**$ 258,861**	**$ 258,861**	**$ 760,128**	**$ (501,267)**
Economic development				
Community development	**$ 15,000**	**$ 15,000**	**$ 796,687**	**$ (781,687)**
Other miscellaneous	**$ 4,100**	**$ 4,100**	**$ -**	**$ 4,100**
Capital outlay				
General government	$ 22,075	$ 22,075	$ 175,438	$ (153,363)
Public safety	102,000	102,000	72,465	29,535
Sanitation	-	-	5,743	(5,743)
Culture and recreation	21,950	21,950	-	21,950
Conservation of natural resources	2,500	2,500	-	2,500
Total capital outlay	**$ 148,525**	**$ 148,525**	**$ 253,646**	**$ (105,121)**
Total Expenditures	**$ 7,929,718**	**$ 7,959,718**	**$ 9,731,607**	**$ (1,771,889)**

The notes to the required supplementary information are an integral part of this schedule.

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Excess of Revenues Over (Under) Expenditures	**$ (92,458)**	**$ (122,458)**	**$ 169,559**	**$ 292,017**
Other Financing Sources (Uses)				
Transfers in	$ 47,850	$ 47,850	$ 1,615,956	$ 1,568,106
Proceeds from sale of capital assets	-	-	1,206	1,206
Total Other Financing Sources (Uses)	**$ 47,850**	**$ 47,850**	**$ 1,617,162**	**$ 1,569,312**
Net Change in Fund Balance	**$ (44,608)**	**$ (74,608)**	**$ 1,786,721**	**$ 1,861,329**
Fund Balance - January 1	**7,952,405**	**7,952,405**	**7,952,405**	**-**
Fund Balance - December 31	**$ 7,907,797**	**$ 7,877,797**	**$ 9,739,126**	**$ 1,861,329**

The notes to the required supplementary information are an integral part of this schedule.

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT A-2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,887,524	$ 1,887,524	$ 1,869,571	$ (17,953)
Intergovernmental	4,644,917	4,644,917	4,190,012	(454,905)
Charges for services	325,000	325,000	201,013	(123,987)
Miscellaneous	134,256	134,256	11,154	(123,102)
Total Revenues	**$ 6,991,697**	**$ 6,991,697**	**$ 6,271,750**	**$ (719,947)**
Expenditures				
Current				
Highways and streets				
Administration	$ 335,234	$ 335,234	$ 350,116	$ (14,882)
Maintenance	2,545,556	2,545,556	2,470,875	74,681
Construction	3,332,284	3,332,284	2,982,584	349,700
Equipment maintenance and shop	778,623	778,623	706,657	71,966
Total Expenditures	**$ 6,991,697**	**$ 6,991,697**	**$ 6,510,232**	**$ 481,465**
Net Change in Fund Balance	**$ -**	**$ -**	**$ (238,482)**	**$ (238,482)**
Fund Balance - January 1	**1,339,619**	**1,339,619**	**1,339,619**	**-**
Increase (decrease) in inventories	**-**	**-**	**(5,207)**	**(5,207)**
Fund Balance - December 31	**$ 1,339,619**	**$ 1,339,619**	**$ 1,095,930**	**$ (243,689)**

The notes to the required supplementary information are an integral part of this schedule.

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT A-3

BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,208,240	$ 1,208,240	$ 1,212,379	$ 4,139
Licenses and permits	14,500	14,500	15,060	560
Intergovernmental	1,264,734	1,264,734	1,271,079	6,345
Charges for services	258,304	258,304	145,693	(112,611)
Miscellaneous	119,307	119,307	205,840	86,533
Total Revenues	**$ 2,865,085**	**$ 2,865,085**	**$ 2,850,051**	**$ (15,034)**
Expenditures				
Current				
Human services				
Income maintenance	$ 548,716	$ 548,716	$ 632,901	$ (84,185)
Social services	1,955,798	1,955,798	1,890,818	64,980
Other	-	-	11,872	(11,872)
Total human services	**$ 2,504,514**	**$ 2,504,514**	**$ 2,535,591**	**$ (31,077)**
Health				
Nursing service	360,571	360,571	343,256	17,315
Total Expenditures	**$ 2,865,085**	**$ 2,865,085**	**$ 2,878,847**	**$ (13,762)**
Net Change in Fund Balance	**$ -**	**$ -**	**$ (28,796)**	**$ (28,796)**
Fund Balance - January 1	**541,915**	**541,915**	**541,915**	**-**
Fund Balance - December 31	**$ 541,915**	**$ 541,915**	**$ 513,119**	**$ (28,796)**

The notes to the required supplementary information are an integral part of this schedule.

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT A-4

BUDGETARY COMPARISON SCHEDULE
AIRPORT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 95,150	$ 95,150	$ 95,681	$ 531
Intergovernmental	25,958	25,958	2,396,645	2,370,687
Miscellaneous	27,416	27,416	28,922	1,506
Total Revenues	**$ 148,524**	**$ 148,524**	**$ 2,521,248**	**$ 2,372,724**
Expenditures				
Current				
Economic development	$ 128,351	$ 128,351	$ 115,132	$ 13,219
Capital outlay	20,000	20,000	2,966,535	(2,946,535)
Total Expenditures	**$ 148,351**	**$ 148,351**	**$ 3,081,667**	**$ (2,933,316)**
Net Change in Fund Balance	**$ 173**	**$ 173**	**$ (560,419)**	**$ (560,592)**
Fund Balance - January 1	**(439,781)**	**(439,781)**	**(439,781)**	**-**
Fund Balance - December 31	**$ (439,608)**	**$ (439,608)**	**$ (1,000,200)**	**$ (560,592)**

The notes to the required supplementary information are an integral part of this schedule.

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT A-5

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Cook County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0732%	$ 5,943,476	$ 77,565	$ 6,021,041	$ 4,540,707	130.89%	68.91%
2015	0.0718	3,721,049	N/A	3,721,049	4,218,018	88.22	78.19

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A - Not Applicable

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT A-6

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2016	$ 353,955	$ 353,955	$ -	$ 4,719,400	7.50%
2015	321,093	321,093	-	4,281,240	7.50

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
Cook County's year-end is December 31.

The notes to the required supplementary information are an integral part of this schedule.

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT A-7

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2016

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.089%	$ 3,571,725	$ 856,488	417.02%	63.88%
2015	0.094	1,068,060	864,739	123.51	86.61

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT A-8

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2016

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2016	$ 146,349	$ 146,349	$ -	$ 903,389	16.20%
2015	139,049	139,049	-	858,327	16.20

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
Cook County's year-end is December 31.

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the following major funds: the General Fund and the Road and Bridge, Public Health and Human Services, and Airport Special Revenue Funds. All annual appropriations lapse at fiscal year-end. Cook County carries reserves over from year to year. The County Board may assign a specific use for some of the fund balances.

In July of each year, all departments and agencies submit requests for appropriations to the County Auditor/Treasurer so that a budget can be prepared. Before September 15, the proposed budget is presented to the County Board for review. A final budget is adopted by the Board and certified to the Auditor/Treasurer by December 28.

The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department with County Auditor/Treasurer approval. Transfers of appropriations between departments and/or funds require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2016, expenditures exceeded appropriations in the following funds:

	Excess Expenditures	
General Fund	$ 1,771,889	Primarily funded by greater than anticipated revenues, much of which correspond to the excess expenditures.
Special Revenue Funds		
Public Health and Human Services	13,762	Funded by increased reimbursements which are tied to expenditures and by use of fund balance.
Airport	2,933,316	Primarily funded by greater than anticipated revenues, much of which correspond to the excess expenditures.

3. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30, 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

The Building Special Revenue Fund is used to account for funds used for general government grounds and buildings.

The Golf Course Lodging Tax Special Revenue Fund is used to account for the collection of a County-levied two percent lodging tax to be used for marketing and promotion of tourism and for debt service payments on the golf course bonds.

The Forfeited Tax Special Revenue Fund is used to account for proceeds from the sale or rental of lands forfeited to the State of Minnesota pursuant to Minn. Stat. ch. 282. The distribution of the net proceeds, after deducting the expenses of the County for managing the tax-forfeited lands, is governed by Minn. Stat. § 282.08. Title to the tax-forfeited lands remains with the state until sold by the County.

The Leased Lakeshore Permanent Fund is used to account for funds collected from the sale of County-owned lakeshore leased lots. In accordance with 1998 Minn. Laws ch. 389, art. 16, § 31, the principal on these sales must remain in an environmental trust fund, and only the interest may be spent on improvement of natural resources.

COOK COUNTY
GRAND MARAIS, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	Special	
	Building	Golf Course Lodging Tax
Assets		
Cash and pooled investments	$ 780,282	$ 8,505
Taxes receivable - delinquent	1,742	-
Accounts receivable	-	-
Total Assets	**$ 782,024**	**$ 8,505**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Due to other funds	$ -	$ -
Deferred Inflows of Resources		
Unavailable revenue		
Taxes	$ 1,579	$ -
Land receivable	-	-
Total Deferred Inflows of Resources	**$ 1,579**	**$ -**
Fund Balances		
Nonspendable		
Environmental improvements - principal	$ -	$ -
Restricted		
Economic development	-	8,505
Environmental improvements	-	-
Forfeited tax	-	-
Assigned		
Building improvements	780,445	-
Total Fund Balances	**$ 780,445**	**$ 8,505**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 782,024**	**$ 8,505**

EXHIBIT B-1

Revenue Funds Forfeited Tax	Total	Leased Lakeshore Permanent	Total (Exhibit 3)
$ -	$ 788,787	$ 883,436	$ 1,672,223
-	1,742	-	1,742
269,135	269,135	-	269,135
$ 269,135	**$ 1,059,664**	**$ 883,436**	**$ 1,943,100**
$ 22,586	**$ 22,586**	**$ -**	**$ 22,586**
$ -	$ 1,579	$ -	$ 1,579
235,527	235,527	-	235,527
$ 235,527	**$ 237,106**	**$ -**	**$ 237,106**
$ -	$ -	$ 584,434	$ 584,434
-	8,505	-	8,505
-	-	299,002	299,002
11,022	11,022	-	11,022
-	780,445	-	780,445
$ 11,022	**$ 799,972**	**$ 883,436**	**$ 1,683,408**
$ 269,135	**$ 1,059,664**	**$ 883,436**	**$ 1,943,100**

COOK COUNTY
GRAND MARAIS, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Special	
	Building	Golf Course Lodging Tax
Revenues		
Taxes	$ 69,678	$ -
Investment earnings	-	41
Total Revenues	**$ 69,678**	**$ 41**
Expenditures		
Current		
General government	$ 6,305	$ -
Conservation of natural resources	-	-
Capital outlay	39,028	-
Total Expenditures	**$ 45,333**	**$ -**
Excess of Revenues Over (Under) Expenditures	**$ 24,345**	**$ 41**
Fund Balance - January 1	**756,100**	**8,464**
Fund Balance - December 31	**$ 780,445**	**$ 8,505**

Revenue Funds Forfeited Tax	Revenue Funds Total	Leased Lakeshore Permanent	Total (Exhibit 5)
$ -	$ 69,678	$ -	$ 69,678
-	41	15,840	15,881
$ -	**$ 69,719**	**$ 15,840**	**$ 85,559**
$ -	$ 6,305	$ -	$ 6,305
-	-	742	742
-	39,028	-	39,028
$ -	**$ 45,333**	**$ 742**	**$ 46,075**
$ -	**$ 24,386**	**$ 15,098**	**$ 39,484**
11,022	**775,586**	**868,338**	**1,643,924**
$ 11,022	**$ 799,972**	**$ 883,436**	**$ 1,683,408**

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FIDUCIARY FUNDS

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AGENCY FUNDS

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

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COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT C-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance January 1	Additions	Deductions	Balance December 31
MEDICAL AND DEPENDENT CARE FLEX PLAN				
Assets				
Cash and pooled investments	$ -	$ 74,681	$ 74,039	$ 642
Liabilities				
Accounts payable	$ -	$ 74,681	$ 74,039	$ 642
SOIL AND WATER CONSERVATION DISTRICT				
Assets				
Cash and pooled investments	$ 859,181	$ 262,338	$ 444,202	$ 677,317
Liabilities				
Due to other governments	$ 859,181	$ 262,338	$ 444,202	$ 677,317
MORTGAGE REGISTRY				
Assets				
Cash and pooled investments	$ 7,325	$ 149,108	$ 141,998	$ 14,435
Liabilities				
Due to other governments	$ 7,325	$ 149,108	$ 141,998	$ 14,435

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance January 1	Additions	Deductions	Balance December 31
FIRE DISTRICTS				
Assets				
Cash and pooled investments	**$ 19,002**	**$ 313,529**	**$ 314,533**	**$ 17,998**
Liabilities				
Due to other governments	**$ 19,002**	**$ 313,529**	**$ 314,533**	**$ 17,998**
CITIES AND TOWNS				
Assets				
Cash and pooled investments	**$ 112,189**	**$ 1,622,614**	**$ 1,519,908**	**$ 214,895**
Liabilities				
Due to other governments	**$ 112,189**	**$ 1,622,614**	**$ 1,519,908**	**$ 214,895**
STATE REVENUE				
Assets				
Cash and pooled investments	$ 195,007	$ 2,482,991	$ 2,498,061	$ 179,937
Accounts receivable	-	658	-	658
Total Assets	**$ 195,007**	**$ 2,483,649**	**$ 2,498,061**	**$ 180,595**
Liabilities				
Due to other governments	**$ 195,007**	**$ 2,483,649**	**$ 2,498,061**	**$ 180,595**

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance January 1	Additions	Deductions	Balance December 31
LODGING TAX				
Assets				
Cash and pooled investments	$ -	$ 1,835,569	$ 1,876,012	$ (40,443)
Accounts receivable	140,299	171,456	140,299	171,456
Total Assets	**$ 140,299**	**$ 2,007,025**	**$ 2,016,311**	**$ 131,013**
Liabilities				
Accounts payable	**$ 140,299**	**$ 2,007,025**	**$ 2,016,311**	**$ 131,013**
TAXES AND PENALTIES				
Assets				
Cash and pooled investments	**$ 95,761**	**$ 14,473,240**	**$ 14,509,795**	**$ 59,206**
Liabilities				
Due to other governments	**$ 95,761**	**$ 14,473,240**	**$ 14,509,795**	**$ 59,206**
SCHOOL				
Assets				
Cash and pooled investments	$ 79,216	$ 2,298,349	$ 2,295,508	$ 82,057
Due from other governments	197,702	75,213	197,702	75,213
Total Assets	**$ 276,918**	**$ 2,373,562**	**$ 2,493,210**	**$ 157,270**
Liabilities				
Due to other governments	**$ 276,918**	**$ 2,373,562**	**$ 2,493,210**	**$ 157,270**

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance January 1	Additions	Deductions	Balance December 31
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 1,367,681	$ 23,512,419	$ 23,674,056	$ 1,206,044
Accounts receivable	140,299	172,114	140,299	172,114
Due from other governments	197,702	75,213	197,702	75,213
Total Assets	**$ 1,705,682**	**$ 23,759,746**	**$ 24,012,057**	**$ 1,453,371**
Liabilities				
Accounts payable	$ 140,299	$ 2,081,706	$ 2,090,350	$ 131,655
Due to other governments	1,565,383	21,678,040	21,921,707	1,321,716
Total Liabilities	**$ 1,705,682**	**$ 23,759,746**	**$ 24,012,057**	**$ 1,453,371**

OTHER SCHEDULES

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COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT D-1

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2016

	Governmental Funds	Component Unit
Appropriations and Shared Revenue		
State		
Highway users tax	$ 3,962,912	$ -
PERA rate reimbursement	17,931	-
Disparity reduction credit	3,157	-
Police aid	88,201	-
County program aid	279,810	-
Taconite credit	151,414	-
Casino revenue aid	46,985	-
Enhanced 911	74,987	-
Total appropriations and shared revenue	**$ 4,625,397**	**$ -**
Reimbursement for Services		
State		
Minnesota Department of Health	**$** 5,769	**$ -**
Minnesota Department of Human Services	161,595	-
Total reimbursement for services	**$ 167,364**	**$ -**
Payments		
State		
Payments in lieu of taxes	$ 363,124	$ -
Local		
Local contributions	166,602	46,538
Total payments	**$ 529,726**	**$ 46,538**
Grants		
State		
Minnesota Department/Board of		
Public Safety	$ 20,261	$ -
Agriculture	304,591	-
Transportation	171,163	-
Health	58,784	-
Environmental Assistance	68,710	-
Natural Resources	415,043	-
Human Services	454,557	-
Veterans Affairs	7,500	-
Water and Soil Resources	91,682	-
Iron Range Resources and Rehabilitation Board	400,000	-
Miscellaneous boards	180,059	-
Total state	**$ 2,172,350**	**$ -**

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT D-1
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2016

	Governmental Funds	Component Unit
Grants (Continued)		
Federal		
Department of		
Agriculture	$ 2,455,540	$ -
Commerce	19,895	-
Housing and Urban Development	242,586	-
Interior	213,668	-
Justice	27,447	-
Transportation	2,168,412	-
Education	1,933	-
Health and Human Services	577,055	-
Homeland Security	77,360	-
Environmental Protection Agency	5,000	-
Total federal	**$ 5,788,896**	**$ -**
Total state and federal grants	**$ 7,961,246**	**$ -**
Total Intergovernmental Revenue	**$ 13,283,733**	**$ 46,538**

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT D-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor Pass-Through Agency Grant Program Title or Cluster	Federal CFDA Number	Contract Number/ Pass-Through Identifying Number	Expenditures
U.S. Department of Agriculture			
Direct			
U.S. Forest Service Cooperative Agreement	Unavailable	11-PA-11090901-010	$ 31,798
Law Enforcement Cooperative Agreement	Unavailable	16-LE-11090900-001	5,723
Cooperative Forestry Assistance	10.664		195,399
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	95902	29,428
Passed Through Minnesota Department of Human Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN101S2514	75,628
Passed Through Minnesota Office of Management & Budget			
Schools and Roads - Grants to States	10.665	P.L. 114-10	1,993,050
Total U.S. Department of Agriculture			**$ 2,331,026**
U.S. Department of Commerce			
Passed Through Minnesota Department of Natural Resources			
Coastal Zone Management Administration Awards	11.419	14-306-12	**$ 19,895**
U.S. Department of Housing and Urban Development			
Passed Through Minnesota Department of Employment and Economic Development			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CDAP-13-0094-O-FY14	**$ 242,586**
U.S. Department of the Interior			
Direct			
Payments in Lieu of Taxes	15.226		**$ 213,668**
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety			
Crime Victim Assistance	16.575	F-CVS-2016-COOKAO	**$ 27,447**
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Airport Improvement Program	20.106	3-27-0036-15	$ 2,150,799
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	00016	29,398
(Total Highway Planning and Construction Cluster $42,930)			
Passed Through Minnesota Department of Natural Resources			
Highway Planning and Construction Cluster			
Recreational Trails Program	20.219	0042-13-2C	13,532
(Total Highway Planning and Construction Cluster $42,930)			
Total U.S. Department of Transportation			**$ 2,193,729**

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT D-2
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor Pass-Through Agency Grant Program Title or Cluster	Federal CFDA Number	Contract Number/ Pass-Through Identifying Number	Expenditures
U.S. Environmental Protection Agency			
Passed Through Minnesota Department of Health			
Beach Monitoring and Notification Program Implementation Grants	66.472	FY16-5777/0529D	**$ 5,000**
U.S. Department of Education			
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board			
Special Education - Grants for Infants and Families	84.181	83773	**$ 1,933**
U.S. Department of Health and Human Services			
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board			
Public Health Emergency Preparedness	93.069	97002	$ 18,707
Temporary Assistance for Needy Families	93.558	96802	4,866
(Total Temporary Assistance for Needy Families 93.558 $37,973)			
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease, and Stroke (PPHF)	93.757	89211	6,606
Maternal and Child Health Services Block Grant to the States	93.994	97202	5,130
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1601MNFPSS	1,310
Temporary Assistance for Needy Families	93.558	1601MNTANF	21,498
Temporary Assistance for Needy Families	93.558	1601MFTANF	11,609
(Total Temporary Assistance for Needy Families 93.558 $37,973)			
Child Support Enforcement	93.563	1604MNCEST	96,968
Refugee and Entrant Assistance - State/Replacement Designee Administered Programs	93.566	1601MNRCMA	68
Child Care and Development Block Grant	93.575	G1601MNCCDF	897
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFRPG	2,022
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	776
Foster Care - Title IV-E	93.658	1601MNFOST	64,418
Social Services Block Grant	93.667	16-01MNSOSR	35,960
Medical Assistance Program	93.778	05-1605MN5ADM	308,085
Medical Assistance Program	93.778	05-1605MN5MAP	859
(Total Medical Assistance Program 93.778 $308,944)			
Total U.S. Department of Health and Human Services			**$ 579,779**
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	F-EMPG-2015-COOKCO	$ 31,053
Emergency Management Performance Grants	97.042	F-EMPG-2016-COOKCO	15,770
(Total Emergency Management Performance Grants 97.042 $46,823)			
Pre-Disaster Mitigation	97.047	EMC-2011-PC-0001	(200)
Homeland Security Grant Program	97.067	F-OPSG-2014-COOKCO	30,737
Total U.S. Department of Homeland Security			**$ 77,360**
Total Federal Awards			**$ 5,692,423**

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2016.

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Cook County. The County's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Cook County under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Cook County, it is not intended to and does not present the financial position or changes in net position of Cook County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Cook County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$	5,788,896
Grants unavailable in 2015, recognized as revenue in 2016		
Schools and Roads - Grants to States		(2,085,002)
Airport Improvement Program		(316,257)
Child Support Enforcement		(1,800)
Grants received more than 60 days after year-end, unavailable in 2016		
Schools and Roads - Grants to States		1,960,488
Airport Improvement Program		341,574
Stephanie Tubbs Jones Child Welfare Services Program		123
Promoting Safe and Stable Families		81
Temporary Assistance for Needy Families (TANF)		4,320
Expenditures per Schedule of Expenditures of Federal Awards	$	5,692,423

Other Information Section

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COOK COUNTY
GRAND MARAIS, MINNESOTA

EXHIBIT E-1

TAX CAPACITY, TAX RATES, LEVIES, AND PERCENTAGE OF COLLECTIONS

	2015		2016		2017	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	$ 16,462,413		$ 16,307,742		$ 16,298,706	
Personal property	272,159		265,043		267,245	
Fiscal disparity contribution	(447,825)		(509,198)		(520,879)	
Net Tax Capacity	**$ 16,286,747**		**$ 16,063,587**		**$ 16,045,072**	
Taxes Levied for County Purposes						
General	$ 3,206,697	18.85	$ 3,445,409	21.46	$ 3,729,206	23.25
Road and Bridge	1,593,967	8.66	1,831,524	11.35	2,134,200	13.24
Social Services	1,151,248	6.28	1,208,240	7.49	1,795,241	11.14
Airport	95,300	0.58	95,150	0.59	95,300	0.59
Government Center	379,528	2.19	380,457	2.36	-	-
YMCA Operations	110,000	0.67	110,000	0.68	110,000	0.68
Economic Development	252,320	1.28	221,675	1.37	386,290	2.40
Total Levy for County Purposes	**$ 6,789,060**	**38.51**	**$ 7,292,455**	**45.30**	**$ 8,250,237**	**51.30**
Less Credits Payable by State						
Taconite homestead credit	$ 360,344		$ 361,527		$ 366,880	
Disparity reduction aid	3,157		3,157		3,157	
Total Credits Payable by State	**$ 363,501**		**$ 364,684**		**$ 370,037**	
Net Levy for County Purposes	**$ 6,425,559**		**$ 6,927,771**		**$ 7,880,200**	
Tax Capacity - Light and Power	**$ 54,796**		**$ 52,498**		**$ 52,498**	
Light and Power Tax Levy (distributed pursuant to Minn. Stat. § 273.42, as amended)	**$ 27,858**		**$ 25,535**		**$ 24,045**	
Percentage of Tax Collections for All Purposes	**100.02%**		**100.80%**			

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**Management and
Compliance Section**

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

REBECCA OTTO
STATE AUDITOR

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

Board of County Commissioners
Cook County
Grand Marais, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Cook County, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 22, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cook County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other items that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 to be a material weakness and items 1996-003 and 2006-006 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cook County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the County administers no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that Cook County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Cook County's Response to Findings

Cook County's responses to the internal control findings identified in our audit are described in the Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

August 22, 2017

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of County Commissioners
Cook County
Grand Marais, Minnesota

Report on Compliance for the Major Federal Program

We have audited Cook County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2016. Cook County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Cook County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cook County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on the Major Federal Program

In our opinion, Cook County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of Cook County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

August 22, 2017

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COOK COUNTY
GRAND MARAIS, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

Noncompliance material to the financial statements noted? **No**

Federal Awards

Internal control over major program:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

Type of auditor's report issued on compliance for the major federal program: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

The major federal program is:

Schools and Roads - Grants to States	CFDA No. 10.665

The threshold for distinguishing between Types A and B programs was $750,000.

Cook County qualified as a low-risk auditee? **Yes**

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 1996-003

Segregation of Duties

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: Several of the County's departments that collect fees lack proper segregation of duties. These departments generally have one or two staff people who are responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

Context: Due to the limited number of office personnel within the County, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Cook County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

Effect: Inadequate segregation of duties could adversely affect the County's ability to detect misstatements to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The County informed us that it would not be cost effective to hire additional qualified accounting staff in order to segregate duties in every department.

Recommendation: We recommend that the County's elected officials and management be aware of the lack of segregation of duties and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff to the extent possible.

View of Responsible Official: Acknowledged

Finding Number 2006-006

Accounting Policies and Procedures Manual

Criteria: All governments should document their accounting policies and procedures. Although other methods might suffice, this documentation is traditionally in the form of an accounting policies and procedures manual.

Condition: The County does not have a current and comprehensive accounting policies and procedures manual.

Context: This manual should be on hand to document the accounting policies and procedures which make up the County's internal control system. It can also help to prevent deterioration of key elements in the County's internal control system and help to avoid circumvention of County policies.

Effect: An accounting policies and procedures manual will enhance employees' understanding of their role and function in the internal control system, establish responsibilities, provide guidance for employees, improve efficiency and consistency of transaction processing, and improve compliance with established policies.

Cause: Cook County has various policies and procedures documents that have been adopted by the County Board. Although some of these policies are accounting-related policies, most of the policies are administrative in nature.

Recommendation: We recommend the County establish an accounting policies and procedures manual. The accounting policies and procedures manual should be prepared by appropriate levels of management and be approved by the County Board to emphasize its importance and authority. The documentation should describe procedures as they are intended to be performed, indicate which employees are to perform which procedures, and explain the design and purpose of control-related procedures to increase employee understanding and support for controls.

View of Responsible Official: Acknowledged

ITEM ARISING THIS YEAR

Finding Number 2016-001

Audit Adjustments

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in normal course of performing their assigned functions, to prevent or detect and correct misstatements of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: During our audit, we identified material adjustments that resulted in significant changes to the County's financial statements.

Context: The inability to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

Effect: The following audit adjustments were reviewed and approved by management and reflected in the financial statements:

- In the Airport Special Revenue Fund, due from other governments and unavailable revenue both increased by $363,267 and accounts payable and expenditures both increased $272,281, to account for contractor costs related to the runway project.

- In the Debt Service Fund, accounts payable and transfers out both increased $128,146, to account for contractor costs related to the golf course renovation.

Cause: The adjustments were required due to incomplete or improper information being used to prepare the financial worksheets used to summarize information for the financial statements.

Recommendation: We recommend that the County staff review the trial balances, journal entries, and financial statement presentation in detail to help ensure their accuracy. Significant errors or misclassifications noted should be corrected.

View of Responsible Official: Acknowledged

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

REPRESENTATION OF COOK COUNTY
GRAND MARAIS, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding Number: 1996-003
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Braidy Powers - County Auditor/Treasurer

Corrective Action Planned:

County management is aware of the lack of segregation of accounting functions and will continue to monitor the situation and implement oversight procedures where possible.

In addition the Auditor's Office plans to visit offices where money is billed, collected, recorded, and deposit receipts created as well as reconciling of bank accounts to better understand the processes used.

Anticipated Completion Date:

March 31, 2018

Finding Number: 2006-006
Finding Title: Accounting Policies and Procedures Manual

Name of Contact Person Responsible for Corrective Action:

Braidy Powers - County Auditor/Treasurer

Corrective Action Planned:

The County Auditor's Office will create a policies and procedures manual to help guide the County employee's actions relative to accounting and internal controls.

Anticipated Completion Date:

March 31, 2018

Finding Number: 2016-001
Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Braidy Powers - County Auditor/Treasurer

Corrective Action Planned:

The County Auditor will review the trial balances, journal entries, and financial statement presentation in detail with the Financial Coordinator to help ensure their accuracy and detect any significant errors or misclassifications for correction.

Anticipated Completion Date:

This will occur annually during the audit preparation work.

REPRESENTATION OF COOK COUNTY
GRAND MARAIS, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding Number: 1996-003
Finding Title: Segregation of Duties

Summary of Condition: Due to the limited number of office personnel within various County departments, proper segregation of accounting functions necessary to ensure adequate internal accounting control is not always feasible. Without this proper segregation, there is an increased opportunity for errors or fraudulent activity to occur and remain undetected.

Summary of Corrective Action Previously Reported: County management is aware of the lack of segregation of accounting functions and will continue to monitor the situation and implement oversight procedures where possible.

Status: Not Corrected. Due to the limited number of office personnel within the County, segregation of the accounting functions necessary to ensure adequate internal accounting control is not feasible.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2006-006
Finding Title: Accounting Policies and Procedures Manual

Summary of Condition: Cook County does not have a current and comprehensive accounting policies and procedures manual. A manual should be prepared to document the policies and procedures that make up the County's internal control system, enhance employees understanding of their roles and functions within the system, and establish responsibility for the various accounting duties and policy compliance within the County.

Summary of Corrective Action Previously Reported: Cook County does have various policies and procedures documents that have been adopted by the County Board, and the County Auditor's Office will continue to accumulate and document accounting policies and procedures with the goal of producing a policies and procedures manual for approval by the County Board.

Status: Partially Corrected. The County Auditor's Office has approved a number of policies and procedures documents to help guide the County employee's actions relative to accounting and internal controls, but does not yet have a complete and comprehensive policies and procedures manual.

Was corrective action taken significantly different than the action previously reported?
Yes ______ No ___X___